

City of Walla Walla Washington

Comprehensive Annual Financial Report For the Fiscal Year Ended December 31, 2012



CITY OF WALLA WALLA
WASHINGTON

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended December 31, 2012

Prepared by:
Support Services Department

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Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

CITY HALL – 15 N. 3rd Avenue
Walla Walla, WA 99362-1859
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FAX 509.524.7900

July 9, 2013

To the Honorable Mayor, Members of the Council, and Citizens of the City of Walla Walla:

State law requires that within 150 days of the close of each fiscal year all general-purpose local governments publish a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards. Pursuant to that requirement, we filed initial statements with the State Auditor's Office and are hereby issuing a finalized and audited comprehensive annual financial report of the City of Walla Walla for the fiscal year ended December 31, 2012.

This report consists of management's representations concerning the finances of the City of Walla Walla. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, the management of the City of Walla Walla has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City of Walla Walla financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City of Walla Walla's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City of Walla Walla financial statements have been audited by the Washington State Auditor's Office. The goal of this independent audit was to provide reasonable assurance that the financial statements of the City of Walla Walla for the fiscal year ended December 31, 2012 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Walla Walla financial statements for the fiscal year ended December 31, 2012, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City of Walla Walla's MD&A can be found immediately following the report of the independent auditors.

Profile of the Government

The City, incorporated in 1862, is located in the southeastern section of the State, six miles north of the Washington-Oregon border, 271 miles southeast of the City of Seattle and 158 miles south of the City of Spokane. The City encompasses an area of approximately 10.9 square miles and is the largest city and the county seat of Walla Walla County. The City's 2012 population is 31,740.

The City operates under the council-manager form of government. A seven-member City Council is the legislative body of the City and establishes and controls policy for the City. Council members are elected on a non-partisan at-large basis to staggered four-year terms by the qualified electors of the City. The City Council elects one of its members to serve as Mayor for a two-year term. The City Manager is appointed by the City Council to act as the City's chief executive officer. The City Manager is responsible for carrying out the policies and ordinances of the governing council; for overseeing the day-to-day operations of the government; and for appointing the heads of the various departments.

The City of Walla Walla is empowered to levy a property tax on both real and personal properties located within its boundaries. It also is empowered by state statute to extend its corporate limits by annexation, which occurs periodically when deemed appropriate by the governing council. The governing council is responsible, among other things, for passing ordinances, adopting the budget, and appointing advisory boards and commissions.

In 2012 the City Council adopted the City's first mission statement, core values and vision statement as follows:

Mission: Provide municipal services and programs essential to a desirable community in which to live, work and play.

Core Values: Customer Focus/Service – Excellence – Stewardship – Communication – Leadership – Integrity

Vision: The best of the best of the Northwest.

The City of Walla Walla provides a full range of municipal services, including police and fire protection; ambulance services; the construction and maintenance of streets and other infrastructure; recreational and library services; parks; water, wastewater, sanitation, storm water, and landfill utilities; a golf course; and a cemetery.

The 2011-12 Biennial Budget served as the foundation for the City of Walla Walla's financial planning and control in 2012. All departments of the City of Walla Walla are required to submit requests for appropriation to the City Manager in early July of the year preceding the biennium. The City Manager uses these requests as the starting point for developing a proposed budget. The City Manager then presents this proposed budget to the council for review prior to October 1. The council is required to hold public hearings on the proposed budget and to adopt a final budget by no later than December

31, the close of the City of Walla Walla's fiscal year. The appropriated budget is adopted by fund. The City Manager may authorize the transfer of appropriations within a department. Transfers of appropriations between funds and amendments to appropriations, however, require the special approval of the governing council. Budget-to-actual comparisons are provided in this report for each major governmental fund for which an appropriated biennial budget has been adopted. For the general fund, this comparison is presented on page 36 as part of the basic financial statements for the governmental funds.

Local economy

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City of Walla Walla operates. The economy of the City is based on a mix of agriculture and related agri-business, manufacturing firms, higher education, health care, trade, tourism and government. Its economic base continues to diversify from its historical dependence on agriculture to other major employers. The City serves as the marketing, trading, health and educational hub for over 50,000 people in southeastern Washington and northeastern Oregon.

Agriculture The City is located in one of the primary agriculture-producing regions of the state and lies on the eastern edge of the Columbia and Snake River basins in southeastern Washington. The County has approximately two-thirds of its acreage classified as suitable for the growing of crops, and about 16 percent of the 587,600 acres of tillable land in the County is irrigated.

The County's most important commercial crop is wheat, ranking among the top in the state in the crop's production. Other significant local crops include asparagus, peas, alfalfa hay, wine grapes, and Walla Walla sweet onions. Over the last few years, the total value of fruits in the County has increased due to the expansion of apple orchards and vineyards. Over 140 wineries and over 1,500 acres of planted vineyards are located in the area. Wineries employ over 200 permanent employees, and the economic impact of the wine industry in the area is estimated at more than \$100 million annually.

Food Processing and Manufacturing The primary livestock farming activity in the County is beef cattle production. Tyson Foods, Inc. operates a large beef packing plant in Wallula, 35 miles from the City, and employs over 1,200 workers. Simplot Feeders operates large beef cattle feed lots in the County. Broetje Orchards is among the larger orchards in the County with up to 2,798 people employed in the growing, packing, and shipping of apples. Cliffstar produces fruit juices sold by grocery chains under store labels. Key Technology produces automated optical sorting and quality management equipment for the food processing industry, serving domestic and international customers and employing approximately 467 full-time employees. Nelson Irrigation Corporation manufactures agricultural and turf irrigation equipment and currently employs approximately 170 people. Boise Inc. has a labor force of over 600 at its Wallula location.

Health Care The City serves as a health care center for southeastern Washington and northeastern Oregon. Facilities include a U.S. Veterans Administration Medical Center, Providence St. Mary Medical Center and Walla Walla General Hospital. Complete diagnostic and treatment services, as well as emergency and trauma care, are provided at these facilities. At the VA Campus design and construction are underway for new clinic facilities; a residential rehabilitation center; and a specialty

care services facilities. The Walla Walla Veterans Home, approved for construction in 2013 will add 100 health care jobs to the community.

Government The City is the location of several major government installations including the Walla Walla County seat; the U.S. Army Corps of Engineers' district headquarters which administers programs in portions of six states; the Washington State Penitentiary, the largest non-manufacturing employer in the City; the Walla Walla Veterans Administration Medical Center; and the Bonneville Power Administration, another local federal government employer.

Higher Education The City is home to two institutions of higher learning, Whitman College, the oldest institution of higher learning in the state, and Walla Walla Community College, a two-year state college. Walla Walla University is located next door in College Place.

Retail The City in partnership with the business community developed a revision of the 1989 Downtown Master Plan. That previous plan led to over \$50 million in reinvestment in the downtown. The revised plan was adopted in late 2004 and serves to further enhance and improve the Walla Walla downtown, which was recognized in 2001 as a Great American Main Street Award winner and in 2011 as the "Friendliest Town in America. The continuing development of downtown envisions more premium wine shops, fine dining and lodging, and an artists' quarter, all in an active retail core which is supported by a solid employment base and downtown residences.

Blue Mountain Mall, a regional retail center opened in 1989 to serve southeast Washington, northeast Oregon and southwest Idaho. After years of an interrupted major renovation, the new Mall owners are actively engaged in its sale to a responsible party capable of completing the project and successfully reopening this significantly important retail facility.

Tourism Largely spawned by the growing wine industry and enhanced by the interest in heritage and recreation, tourism has become a significant industry for Walla Walla. Lodging and other related tourism businesses have grown significantly in the last several years adding further diversity to the local economy. Marriott is building a Courtyard for a 2014 opening.

Long-term financial planning

The City of Walla Walla has endeavored to strategically plan for its financial future with flexible responsiveness in mind, thereby positioning itself to react in an effective way to the sometimes unpredictable and dynamic demands and limitations that present themselves to public agencies. In general, government evidences itself in the utilization of diverse funding sources in the form of taxes and fees to fund public safety, community programs and streets. In the enterprise funds, planning looks five, ten, twenty or more years ahead to anticipate growth trends; infrastructure renewal and expansion; and unfunded mandates. For example, the City raised Storm water fee rates in 2010 as part of its plan for implementation of the Eastern Washington Stormwater Management Plan, an unfunded mandate. Additionally, the Water and Wastewater enterprises began a program of major infrastructure repair and replacement in 2010 that successfully continued through 2011. Currently the Water Department is continuing that program, planning a full scale refurbishing of its treatment plant including the addition of long term treatment of its surface water source.

The landfill operation continues to grow and diversify with the addition of its methane gas flaring facility and plans for gaining the enterprise revenue from related carbon credits. The composting

facility opened in 2008 is doing well, accepting green waste and producing and selling its compost products. Remediation of Area 5 continued in 2012 and will be an ongoing project for several years. As part of the remediation effort, the City applied for and was awarded a Model Toxics Control Act grant through the State of Washington Department of Ecology. The total amount of the award is \$3,912,000 of which 75% will be provided by the grant and 25% will be matched by the City.

The City is also actively participating in community efforts aimed at economic development, cooperating with the Port of Walla Walla and Walla Walla County as well as community groups such as the Walla Walla Valley Chamber of Commerce, the Downtown Walla Walla Foundation, and Tourism Walla Walla. As part of this effort, the County and the City signed an interlocal agreement to provide permitting and code enforcement operations through a new agency. The resulting Walla Walla Joint Community Development Agency was formed in 2011 to improve efficiency and reduce costs of operations.

The City continues to fund minor street overlay and repair projects, scheduling such work on an annual basis. In 2011 the City formed the City of Walla Walla Transportation District (TDD) to better provide the funding for repair of its streets. In 2012 voters approved a .1% increase in the sales tax to fund such repairs, and the City began collecting the tax revenues and planning 2013 projects. In 2012 the City partnered with various agencies including Walla Walla County; the City of College Place; Umatilla County and the City of Milton-Freewater; and other agencies to form the Walla Walla Valley Metropolitan Planning Organization (MPO). The City's major infrastructure renewal plan continued, replacing and repairing aging water and sewer pipes; stormwater features; and street paving.

The City successfully seeks public and private partnerships to leverage available resources; to acquire public and private funds, both grants and loans; to support legislation that provides more flexibility and effectiveness to municipal governments; and to maximize the productive use of all its resources. In 2008 the City along with its partners initiated the Innovative Partnership Zone (IPZ) program funded in large part with a \$750,000 state grant from the State's Center for Trade and Economic Development. This zone includes public and private partners such as Walla Walla Community College, Port of Walla Walla, City of Walla Walla, Nelson Irrigation, Unibest and others who are working together using public and private money to develop new marketable technologies and other products, enhancing the local economy through innovation. The State Department of Commerce redesignated the Walla Walla IPZ in 2011 expanding the Zone to include all of Walla Walla County, from the western most edge adjacent to Benton County, all of Columbia County, and the Walla Walla Valley American Viticulture Area in Washington State. The redesignation also added alternative energy to the Zone's previously established programs in water conservation and management and the wine and hospitality cluster. The IPZ also completed the extension of high-speed internet access to zone partners in the vicinity of the Port's Walla Walla Regional Airport Business Park.

Cash management policies and practices

The City invests its available funds pursuant to an investment policy that emphasizes preserving principal, maintaining necessary liquidity, matching investment maturities to estimated cash flow requirements and achieving maximum yield. Eligible investments include U.S. Treasury bonds, notes,

bills or other government obligations of the U.S. Government or agencies of the U.S. Government; interest bearing demand or time deposits issued by certain banks, trust companies or savings and loan associations; fully-secured repurchase agreements; bankers' acceptances having a term of 180 days or less; and the State Investment Pool. The City investment policy also establishes guidelines for diversification of the portfolio relating to maturity, default risk and liquidity risk, as well as performance benchmarks that are reviewed by the City's Investment Committee.

Investments The State Treasurer's Office administers the Washington State Local Government Investment Pool (LGIP), which invests money on behalf of more than 350 cities, counties, and special taxing districts. In managing the LGIP, the State Treasurer is required to adhere, at all times, to principles appropriate for the prudent investment of public funds, including, in priority order (i) the safety of principal; (ii) the assurance of sufficient liquidity to meet cash flow demands; and (iii) the attainment of the highest possible yield within the constraints of the first two goals. Historically, the LGIP has had sufficient liquidity to meet all cash flow demands.

The LGIP, authorized by chapter 43.250 RCW, is a voluntary pool which provides its participants the opportunity to benefit from the economies of scale inherent in pooling. It is also intended to offer participants increased safety of principal and the ability to achieve a higher investment yield than would otherwise be available to them. The pool is restricted to investments with maturities of one year or less, and the average life typically is less than 90 days. Investments permitted under the pool's guideline include U.S. government and agency securities, bankers' acceptances, high quality commercial paper, repurchase and reverse repurchase agreements, motor vehicle fund warrants, and certificates of deposit issued by qualified State depositories.

Acknowledgements

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the Finance Division and Support Services Department. We would like to express our appreciation to all those who assisted and contributed to the preparation of this report. Credit also must be given to the mayor and the governing council for their unfailing support for maintaining the highest standards of professionalism in the management of the City of Walla Walla finances.

Respectfully submitted,



Nabil Shawa
City Manager



Tim McCarty
Deputy City Manager



Jean Teasdale, CPA
Finance Manager

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Walla Walla
Washington

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Christopher P. Morrell

President

Jeffrey R. Emer

Executive Director

2012 Walla Walla City Council



Seated (l-r):	Length of <u>Service</u>	Term <u>Expires</u>
Mary Lou Jenkins <i>Council Member</i>	1 year	12/31/15
Jim Barrow <i>Mayor</i>	5 years	12/31/13
Barbara Clark <i>Council Member</i>	15 years	12/31/15
Shane Laib <i>Council Member</i>	7 years	12/31/13
Jerry Cummins <i>Council Member</i>	21 years	12/31/15
Conrado V. Cavazos <i>Mayor Pro-Tem</i>	3 years	12/31/13
Chris Plucker <i>Council Member</i>	1 year	12/31/15

WALLA WALLA SENIOR MANAGEMENT

Appointed Officials

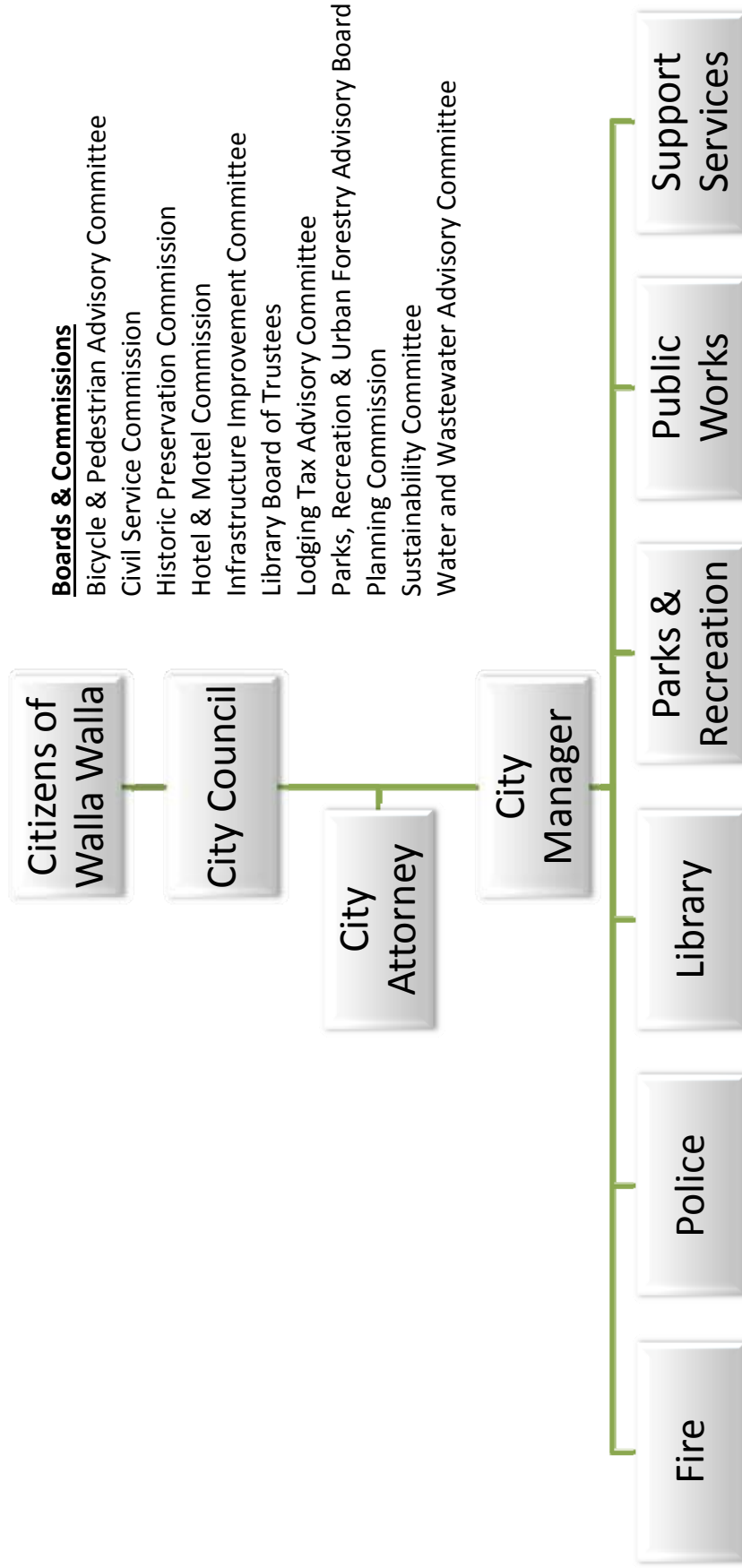


City Manager
Nabil Shawa
 Appointed October, 2009

	<u>Length in Position</u>	<u>Length of Employment</u>
CITY ATTORNEY <i>Tim Donaldson</i>	16 years	16 years
CITY CLERK <i>Kammy Hill</i>	18 years	18 years
FIRE CHIEF <i>Bob Yancey</i>	1 year	26 years
LIBRARY DIRECTOR <i>Beth Hudson</i>	2 years	21 years
PARKS & RECREATION DIRECTOR <i>Jim Dumont</i>	11 years	11 years
POLICE CHIEF <i>Scott Bieber</i>	9 months	9 months
PUBLIC WORKS DIRECTOR <i>Ki Bealey</i>	2 years	2 years
DEPUTY CITY MANAGER <i>Tim McCarty</i>	11 years	11 years

City of Walla Walla

Organizational Chart





**Washington State Auditor
Troy Kelley**

INDEPENDENT AUDITOR'S REPORT

July 9, 2013

Council
City of Walla Walla
Walla Walla, Washington

REPORT ON FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Walla Walla, Walla Walla County, Washington, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control.

Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Walla Walla, Walla Walla County, Washington, as of December 31, 2012, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Matters of Emphasis

As described in Note 24, during the year ended December 31, 2012, the City has implemented the Governmental Accounting Standards Board Statement No. 65, Items Previously Reported as Assets and Liabilities. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 16 through 28 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements as a whole. The accompanying information listed as combining financial statements and supplementary information on pages 86 through 129 and 160 through 168 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. This information has been subjected to auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial

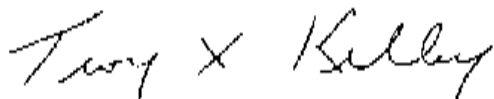
statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The information identified in the table of contents as the Introductory and Statistical Sections are presented for purposes of additional analysis and is not a required part of the basic financial statements of the City. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we will also issue our report dated July 1, 2013, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report will be issued under separate cover in the City's Single Audit Report. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Sincerely,

A handwritten signature in cursive script that reads "Troy X Kelley".

TROY KELLEY
STATE AUDITOR

“Do what you do so well that they will want to see it again and bring their friends.” – Walt Disney

Management's Discussion and Analysis

As management of the City of Walla Walla, we offer readers of the City of Walla Walla's financial statements this narrative overview and analysis of the financial activities of the City of Walla Walla for the fiscal year ended December 31, 2012. This discussion and analysis should be considered in conjunction with the Letter of Transmittal as well as other components of the report. **All amounts, unless otherwise indicated, are expressed in thousands of dollars.**

Financial Highlights

- The assets and deferred outflows of resources of the City of Walla Walla exceeded liabilities at the close of the most recent fiscal year by \$142,479 (*net position*). Of this amount, \$37,993 represents unrestricted net position, which may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$5,676. Business-type activities contributed an increase of \$3,615 while governmental-type activities contributed an increase of \$2,061. The overall financial position of the City improved during 2012, which continues a conservative growth trend over the past several years.
- At fiscal year close, the City of Walla Walla's governmental funds reported combined ending fund balances of \$7,853, an increase of \$404 in comparison with the prior year. The main contributing factor for the increase was a significant donation to the City's cemetery and control of expenditures across government functions. At the end of the current fiscal year, the unassigned fund balance for the General Fund was \$3,299, which represents 14.13% of total General Fund expenditures.
- In 2010, the City implemented a new Infrastructure Replacement and Renewal Plan (IRRP) for updating water and sewer lines in the City. A major portion of funding for the IRRP is supported by bonds to be paid by rate revenue from the Water and Wastewater Funds. The largest water and wastewater IRRP construction project was for the Edith/Carrie/9th project and was 89% complete in 2012. Total spending for this entire project in 2012 was \$1,855 out of a total estimated project budget of \$2,164.
- Spending on governmental activities included in construction-in-progress (CIP) during 2012 totaled \$2,360. The largest project was the street portion of the Edith/Carrie/9th IRRP which was 90% complete in 2012. Project spending for streets in 2012 was \$1,031 out of a total estimated street project cost of \$1,203. The project is partially funded by a Department of Commerce grant.
- Spending on business activities included in CIP during 2012 totaled \$1,379. The largest project was for the sewer replacement for the Edith/Carrie/9th IRRP which was 85% complete in 2012. Project spending for business activities in 2012 was \$341 out of a total estimated project cost of \$405. Funding for this project is supported by bonds paid by rate revenue from the Wastewater Fund.

Overview of the Financial Statements

This discussion and analysis serves as an introduction to the City of Walla Walla's basic financial statements. The financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. Other supplementary information is provided in addition to the basic financial statements.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City of Walla Walla's finances for the total organization, in a manner similar to a private-sector business. The *statement of net position* presents the City of Walla Walla's assets, liabilities, and deferred inflows/outflows of resources with the difference reported as net position. Increases or decreases in net position over time serve as a useful indicator of whether the City's financial position is improving or deteriorating.

The *statement of activities* presents revenue, expenditures, and the change in the government's net position during the most recent fiscal year. Changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported for some items which will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused vacation leave).

The government-wide financial statements distinguish functions of the City of Walla Walla that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from activities that are supported by business revenues. The governmental activities of the City of Walla Walla include general government, public safety, utilities and environment, transportation, economic environment, and culture and recreation. The business-type activities of the City of Walla Walla include water/wastewater, stormwater, sanitation, landfill, golf course, ambulance, and equipment maintenance and replacement services.

Fund financial statements. A *fund* is a grouping of related accounts used to maintain control over resources segregated for specific activities or objectives. The City of Walla Walla, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. City of Walla Walla funds can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. Governmental funds account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on balances of *spendable* resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund statement of net position and the governmental fund statements of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate the comparison between *governmental funds* and *governmental activities*.

The City of Walla Walla maintains twenty-four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, which is a major fund as defined by the Governmental Accounting Standards Board. In 2012, the street construction fund and the general construction fund were also major governmental funds. There are two construction funds which are currently not in use and therefore are not reported. Data from the other twenty-one funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds are provided in the form of *combining statements* elsewhere in this report.

Proprietary funds. The City of Walla Walla maintains two different types of proprietary funds. *Enterprise funds* report the same functions presented as *business-type activities* in the government-wide financial statements. The City of Walla Walla uses enterprise funds to account for water/wastewater, stormwater, sanitation, landfill, golf course and ambulance services. *Internal service funds* are used for operations serving other funds or departments within the City to accumulate and allocate costs internally to various functions. Internal service funds account for equipment maintenance and replacement, health and industrial insurance, emergency communication and service center functions. Of those, insurance, emergency communication, and service center services predominantly benefit government activities (rather than business-type functions) and have been included with *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. Enterprise fund financial statements provide separate information for the sanitation, water/wastewater, landfill, and ambulance operations which are presented as major funds. Data from the other two enterprise funds, stormwater and golf course, and the internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the non-major enterprise funds and the internal service funds are provided in the form of *combining statements*.

Fiduciary funds. Fiduciary funds are held by the City as a trustee or agent for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide

financial statements because the fund resources are not available to support the City of Walla Walla's own programs. The accounting used for the fiduciary funds is much like that used for enterprise funds except for agency funds which only show assets and liabilities.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Supplementary information. Supplementary information concerning the City of Walla Walla's progress in funding its pension benefit obligations to certain firefighting employees and their beneficiaries is provided in Note 7. Other supplemental information includes combining statements in connection with nonmajor governmental, proprietary and internal services.

Government-wide Financial Analysis

Net position may serve over time as a useful indicator of a government's financial position. For, the City of Walla Walla, assets exceed liabilities by \$142,479 at the close of 2012.

The largest portion of the City of Walla Walla's net position (72.7%) reflects an investment in capital assets (e.g. buildings, machinery, equipment, infrastructure, construction in progress) less related outstanding debt used to acquire those assets. The City of Walla Walla uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City of Walla Walla's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the City of Walla Walla's net position (0.6%) represents resources subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (26.7%) totaling \$37,993, may be used to meet the government's ongoing obligations.

At the end of 2012, the City of Walla Walla reports positive balances in all three categories of net position for governmental, business-type activities, and the government as a whole. The City's current and other assets for governmental activities increased by \$621, primarily due to a significant donation to the City's cemetery fund. Capital assets utilized in governmental activities increased by \$636 primarily due to the purchase of a new fire truck and to final construction expenses for the new Police Station. Non-current liabilities decreased in governmental and business activities due primarily to reductions in outstanding debt.

The City's net position increased by \$5,676 during the 2012 fiscal year. This increase represents the degree to which ongoing revenues, mostly through rate increases, have exceeded expenditure increases.

City of Walla Walla's Net Position

	Governmental Activities		Business-type Activities		Total	
	2011	2012	2011	2012	2011	2012
Current & other assets	\$ 17,351	\$ 17,972	\$32,902	\$ 33,148	\$50,253	\$51,120
Capital assets	57,394	58,030	102,809	101,652	160,203	159,682
Total assets	74,744	76,002	135,712	134,800	210,456	210,802
Other liabilities	2,268	1,954	1,269	815	3,537	2,769
Non-current liabilities	19,815	19,326	50,300	46,228	70,115	65,554
Total liabilities	22,083	21,280	51,569	47,043	73,652	68,323
Net position:						
Net investment in capital assets	42,962	43,184	58,492	60,385	101,454	103,569
Restricted	186	916	-	-	186	916
Unrestricted	9,513	10,622	25,650	27,372	35,164	37,994
Total net position	\$52,661	\$54,722	\$84,142	\$87,757	\$136,803	\$142,479

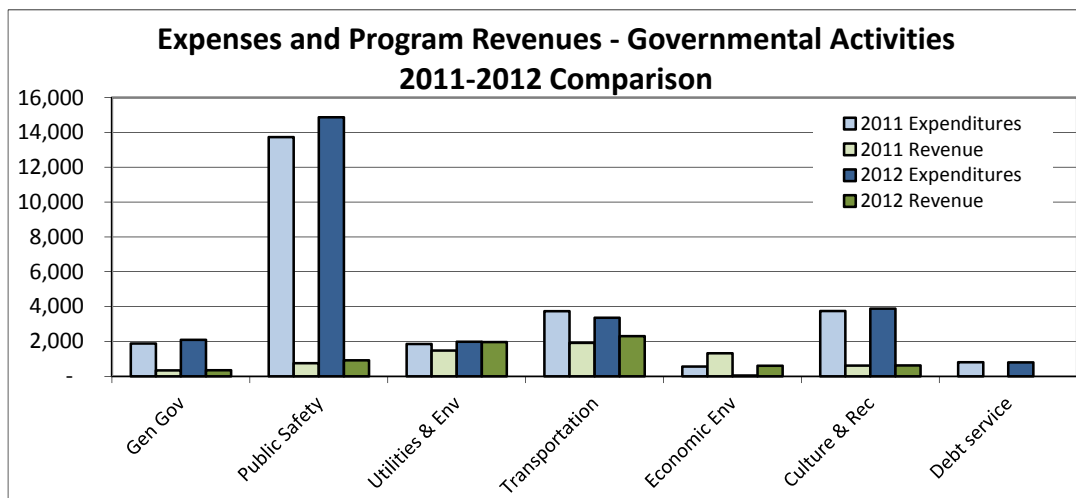
Property tax revenue increased due to a statutory allowable tax levy increase, property tax levies associated with construction projects for public safety, and additional construction. Construction activity and a 0.2% rise in the sales tax rate for the new Walla Walla Transportation Benefit District increased sales tax revenue.

Other sales-related taxes also increased due to a modest improvement in the economy. Taxes related to the tourism industry, such as lodging taxes, increased in part because of increased efforts associated with the Tourism Promotion Area (TPA). The tax on natural gas continued to decrease because of the moderate temperatures during the winter months. Business and occupation taxes decreased for gas and telephone, with an increase in electrical business and occupation tax. Payment-in-lieu-of-taxes were higher in 2012 due to the increase of water, wastewater, and storm water rates to support the IRRP. This program is designed to replace the aging water, wastewater, and storm water infrastructure over a number of years.

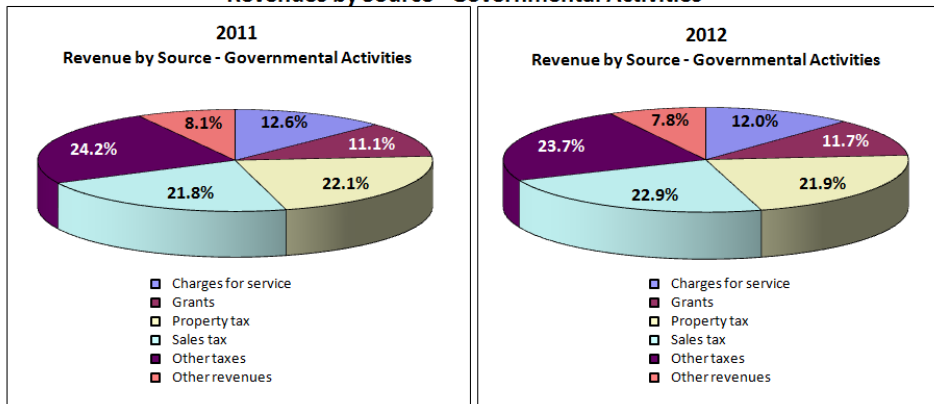
Governmental activities. Governmental activities increased the City of Walla Walla's net position by \$2,061. This increase is partly due to an increase in tax and other revenues of \$1,533 and a decrease in governmental function transfers. Sales taxes increased \$657 because of a slight recovery in the economy. Property taxes increased by \$289 over the previous fiscal year.

City of Walla Walla's Changes in Net Position

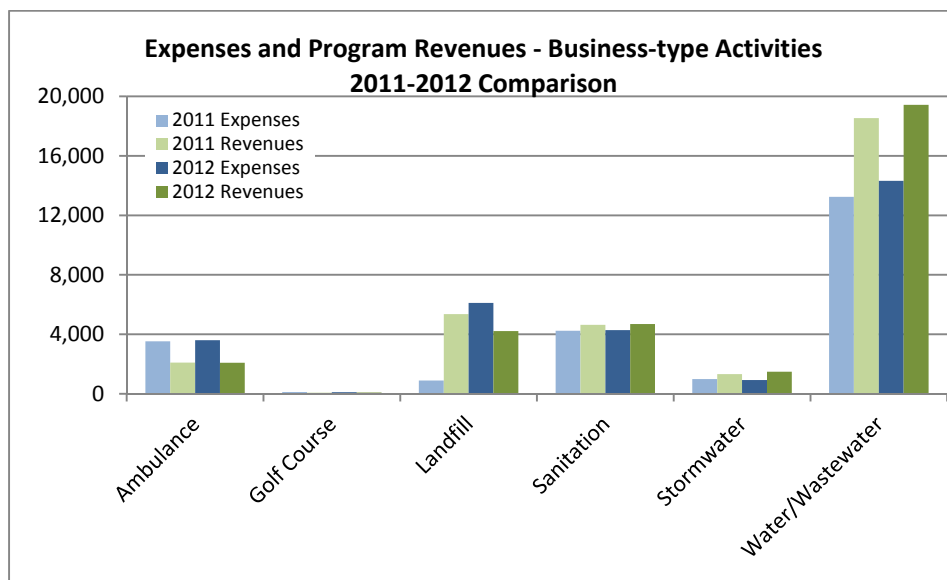
	Governmental Activities		Business-type Activities		Total	
	2011	2012	2011	2012	2011	2012
Revenues:						
Program revenues:						
Charges for service	\$3,403	\$3,409	\$29,957	\$30,401	\$32,360	\$33,810
Operating grants/contributions	634	1,001	2,127	1,066	2,761	2,067
Capital grants/contributions	2,362	2,326	951	524	3,313	2,850
General revenues:						
Property tax	5,965	6,254	-	-	5,965	6,254
Sales tax	5,881	6,538	-	-	5,881	6,538
Other taxes	6,535	6,740	-	-	6,535	6,740
Other revenues	2,181	2,227	1,616	1,558	3,797	3,785
Total revenues	26,962	28,495	33,651	33,549	60,613	62,044
Expenses:						
General government	1,878	2,088	-	-	1,877	2,088
Public safety	13,723	14,870	-	-	13,723	14,870
Utilities and environment	1,850	1,977	-	-	1,850	1,977
Transportation	3,735	3,355	-	-	3,735	3,355
Economic environment	556	43	-	-	556	43
Culture and recreation	3,746	3,884	-	-	3,746	3,884
Interest on long-term debt	805	795	-	-	805	795
Ambulance	-	-	3,530	3,600	3,530	3,600
Golf course	-	-	121	111	121	111
Landfill	-	-	894	6,113	894	6,113
Sanitation	-	-	4,240	4,282	4,240	4,282
Storm water	-	-	992	930	992	930
Water/Wastewater	-	-	13,241	14,321	13,241	14,321
Total expenses	26,294	27,012	23,017	29,356	49,311	56,368
Increase in net position before transfers	669	1,483	10,633	4,193	11,302	5,676
Transfers	1,375	578	(1,375)	(578)	-	-
Increase in net position	2,044	2,061	9,258	3,615	11,302	5,676
Net position, beginning	50,617	52,661	74,884	84,142	125,501	136,803
Net position, ending	\$52,661	\$54,722	\$84,142	\$87,757	\$136,803	\$142,479



Revenues by Source - Governmental Activities



Business-type activities. Business-type activities increased the City of Walla Walla's net position by \$3,615. This is due to utility rate increases for water, wastewater, and storm water and the receipt of a grant for the costs associated with remediation and closure at the landfill. Expenses increased by \$6,339, largely due to an updated projection for City Landfill future closure, post-closure, and remediation expenses as well as IRRP expenses.



Revenues by Source - Business-type Activities



Landfill expenses increased from 2011 to 2012 by \$5,219 due to the recognition of reserve requirements for pollution remediation and landfill closure and post-closure. The increase in net position in the water/wastewater functions is useful as replacement costs of infrastructure assets are expected to be higher than the depreciation costs reflected in operating expenses. The revenue increase in water/wastewater is due to rate adjustments for replacing aging infrastructure in the City. The City Council approved the issuance of bonds to be paid back over five years to initially fund the City's IRRP. The increases in rates will be used for bond principal and interest payments. The City plans to maintain the rate increases after the bonds are paid to fund the IRRP in ensuing years.

Financial Analysis of the Government's Funds

The City of Walla Walla uses fund accounting to promote accountability and stewardship, as well as to demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City of Walla Walla's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City of Walla Walla's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of 2012, the City of Walla Walla's governmental funds reported combined ending fund balances of \$7,853, an increase of \$404 in comparison with the prior year, mostly due to a decrease in Street CIP liabilities. Taxes for the City increased by \$1,150 due to increases for payment-in-lieu-of-taxes (\$112), property taxes (\$289), sales tax (\$657), and other miscellaneous taxes (\$205). Approximately \$3,066 constitutes *unassigned fund balance*, which is available for spending at the government's discretion.

The General Fund is the chief operating fund of the City of Walla Walla. At the end of the current fiscal year, unassigned and committed fund balances of the General Fund were \$3,299 and \$11 respectively. As a measure of the General Fund's liquidity, it may be useful to compare unassigned fund balance to total expenditures. Accordingly, the unassigned fund balance represents 14.13% of the total expenditures.

The General Construction Fund had a restricted fund balance of \$573 which is restricted for the construction of a new police station and for remodeling City Hall by a vote of the citizens of the City. The Street Construction Fund has a committed fund balance of \$759 that has been committed by City Council for specific street projects. Street Construction has an assigned fund balance of \$6 which is assigned to the purpose of the fund.

Other non-major governmental funds include \$1,022 in restricted balance from lodging taxes, forfeitures and fines, and debt payment reserves. These funds also have a deficit unassigned balance of \$233 primarily due to the Bond LID Fund. The committed fund balance for other non-major governmental funds is \$1,362 which is due to residual

payments for LIDs, a City-established cemetery endowment fund, and funding for housing development. The assigned fund balance for other governmental funds is \$99.

The fund balance of the City of Walla Walla's General Fund increased by \$1,207 during the 2012 fiscal year. Key factors in this increase are a reduction in expenses of \$383 and an increase in revenue of \$545 as compared to 2011. The Joint Community Development Agency is included in the City's financial statements as a component unit, but the collaboration with the County has resulted in reduced expenses and increased efficiencies. Overall revenues increased by 2.26% while total expenditures increased by 1.67%.

The general construction fund had an ending balance of \$573, all of which is dedicated to general construction projects. In 2009 the citizens of the City of Walla Walla voted for a property tax increase to support the construction of a new police station. In December 2009 bonds were issued to finance the project. The decrease of \$931 in fund balance is due to the final expenses for the new police station.

The street construction fund had an ending balance of \$766, all of which is dedicated to street construction projects. The main revenue in 2012 for this fund was intergovernmental revenues and grants of \$1,652. Expenditures are almost exclusively capital outlay (96%) related to several construction projects. The two largest projects were Edith/Carrie/9th IRRP project and Myra Road with expenses in 2012 of \$1,031 and \$553 respectively.

Proprietary funds. The City of Walla Walla's enterprise funds provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net position of the major enterprise funds are as follows:

Sanitation	\$1,584	Ambulance	\$372
Water/Wastewater	\$17,559	Landfill	(\$911)

Other factors concerning the finances of these funds have already been addressed in the discussion of the City of Walla Walla's business-type activities.

General Fund Budgetary Highlights

Due to economic uncertainties, the City continued to encourage departments and divisions to spend conservatively in 2012. As required by state and municipal code, the City performed a mid-biennium budget review and budget modification for the 2011-2012 biennium. As a result of the review, the City revised the expenditure and revenue budgets to more accurately reflect the upturn of the economy.

Revenue and expenses were adjusted for both 2011 and 2012 to reflect the upturn in the economy and to adjust salaries and benefits for increases in expenses. For 2012, the City provided cost of living and cost of labor increases to comply with employment contracts.

Actual revenues for 2012 were higher than the original budget because of increases in sales tax, business and operation taxes (B&O), and donations.

Change in timing of work on various construction projects as well as changes in funding sources for these projects also caused modifications to the original budget. The economy created a favorable bidding environment for construction projects resulting in bids coming in significantly lower than originally estimated.

The following are highlights for some of the adjustments to the 2012 budget as a result of the mid-biennium budget review and the change in the economy:

- An increase of \$595,100 in sales tax revenue;
- An increase of \$84,700 in telephone B&O tax;
- A reduction of \$54,100 in TV cable B&O tax;
- A decrease of \$159,400 for gas B&O tax;
- An increase of \$50,780 in criminal justice sales tax;
- An increase of \$78,490 in law and justice tax;
- An increase of \$650,000 in private donations.

Capital Asset and Debt Administration

Capital assets. The City of Walla Walla's net investment in capital assets for its governmental and business-type activities as of December 31, 2012 amounts to \$103,569 (net of accumulated depreciation and related debt). Capital asset investments include land, buildings, improvements, machinery, equipment, park facilities, roads, and bridges. Capital assets increased by \$636 for governmental activities and decreased by \$1,157 for business activities to decrease the City's capital asset investment by \$521 in total for the year.

Major capital asset events during the current fiscal year included the following:

- A Department of Commerce grant funded \$1,031 on the street portion of the Edith/Carrie/9th Infrastructure Replacement and Renewal Plan (IRRP), which was 90% complete in 2012.
- Bond funding to be repaid by wastewater rate revenue funded \$341 on the sewer replacement for the Edith/Carrie/9th Infrastructure Replacement and Renewal Plan (IRRP) which was 85% complete in 2012.
- The largest water and wastewater IRRP project was Edith/Carrie/9th which was 89% complete in 2012, spending \$1,855 out of a \$2,164 project budget, with IRRP funding supported by water and wastewater rate revenue bonds. Spending on the City's IRRP program included in the CIP during 2012 totaled \$2,579.

The table below displays assets net of accumulated depreciation. Additional capital asset information may be found in Note 6.

City of Walla Walla's Capital Assets
(Net of Depreciation)

	Governmental Activities		Business-type Activities		Total	
	2011	2012	2011	2012	2011	2012
Land	\$3,679	\$3,679	\$1,222	\$1,222	\$4,901	\$4,901
Construction in progress	15,039	3,851	4,385	1,509	19,424	5,360
Buildings	9,326	17,506	17,980	17,381	27,306	34,887
Improvements	3,871	3,862	6,508	6,131	10,379	9,993
Equipment	1,627	1,565	4,568	5,462	6,195	7,027
Infrastructure	23,852	27,567	68,146	69,947	91,998	97,514
Total capital assets	<u>\$57,394</u>	<u>\$58,030</u>	<u>\$102,809</u>	<u>\$101,652</u>	<u>\$160,203</u>	<u>\$159,682</u>

Long-term debt. At the end of the current fiscal year, the City of Walla Walla had total bonded debt outstanding of \$36,436. Of this amount, \$22,903 comprises debt backed by the full faith and credit of the government. General obligation bonded debt includes \$5,215 of water and wastewater debt associated with the IRRP that will be repaid by rate revenue. The remainder of the City of Walla Walla's bonded debt represents bonds secured primarily by specified revenue sources (i.e. revenue bonds). Landfill and golf course debt of \$4,612 from general obligation bonds is expected to be repaid from enterprise revenues and, therefore, is presented as revenue debt rather than as general obligation debt. Additionally, the water/wastewater utility has outstanding loans used for capital construction of \$18,197. Additional long term liability information can be found in Note 10.

City of Walla Walla's Outstanding Debt
General Obligation and Revenue Debt

	Government-type Activities		Business-type Activities		Total	
	2011	2012	2011	2012	2011	2012
General obligation bonds	\$15,953	\$15,098	\$9,455	\$7,805	\$25,408	\$22,903
Revenue bonds	-	-	16,263	13,533	16,263	13,533
Construction loans	-	-	20,038	18,197	20,038	18,197
Total	<u>\$15,953</u>	<u>\$15,098</u>	<u>\$45,756</u>	<u>\$39,535</u>	<u>\$61,709</u>	<u>\$54,633</u>

Economic Factors and Next Year's Budgets and Rates (amounts not in thousands)

In 2010, the City adopted a biennial budget for 2011-12. After a mid-biennial review in 2011, the City adjusted the 2011 and 2012 budgets to more accurately reflect the projected revenues and to adjust salaries and benefits in 2012 to include increases in medical expenses and cost-of-labor/cost-of-living increases. Sales tax and revenue derived from areas such as utility taxes and real estate excise tax are projected to continue in 2013 at levels experienced in the last six months of 2012.

The local economy experienced a slight upturn in 2011 that continued in 2012. As a result, the City was not impacted as severely as other cities in the State of Washington. When the City of Walla Walla adopted its 2011-2012 biennial budget, City administrators and City Council used a conservative approach for estimating revenue and expenses because of the economic outlook for 2011 and 2012.

With the downturn in the economy, it was necessary for the City to review its practices and streamline processes as necessary. A result of this review was to eliminate the department of development and planning. Walla Walla City and County combined their planning, community development, and permitting functions into one joint agency. The Walla Walla Joint Community Development Agency (WWJCDA) is a separate entity from both the City and the County and improves the efficiency of operation by combining the services of both the City and the County. The WWJCDA is included as a component unit of the City.

Based on current information from the County Assessor's Office, the 2013 property tax levy of \$5,047,547 includes increases of \$23,390 from new construction and \$0 from additional state assessed property improvements in 2012.

During the budget process for the 2011-12 biennial budget, labor negotiations resulted in concessions by some of the unions. In particular, the Police Guild and Fire Department uniformed personnel accepted salary and benefit concessions. Non-represented personnel also agreed to a temporary reduction in some benefits. Contract negotiations for the 2013-14 budget cycle are still on-going.

The proposed 2013-2014 budget assumes a number of increases in fees for services. Ambulance base rates are proposed to increase 0% in 2013. Water rates will increase 8%; 3% for operations and management and 5% for the IRRP. Wastewater rates will increase 6%; 2% for operations and management and 4% for the IRRP. Stormwater rates will rise 5%; 2% for operations and management and 3% for the IRRP. Operations and management rate increases are due to the cost of inflation and costs of meeting federal and state requirements. Landfill rates will increase by 9.5%. Sanitation rates are not currently budgeted for a rate increase in 2013.

Following citizen input, the Council approved five years of utility rates for Water, Wastewater and Stormwater dedicated to funding the IRRP that began in 2010. The IRRP is a long-term plan to replace the aging infrastructure in water, wastewater, and storm water. Funding generated by a special rate increase has been committed by Council for support of the IRRP projects. Proceeds from bonds issued in 2010 will be used to fund the first three years of IRRP projects with the special rate increases being used to meet the payments of principal and interest for the bonds. At the end of five years, the bonds will be paid in full and the IRRP rate revenue will be used to fund future IRRP projects.

In 2011, the City Council established a transportation benefit district. Citizens of the City voted for a ten-year sales tax increase of $2/10^{\text{th}}$ of a percent to support transportation

projects in the City. The additional sales tax became effective in July, 2012. The Transportation Benefit District is treated as a blended component in 2012.

Requests for Information

This financial report is designed to provide a general overview of the City of Walla Walla's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Manager, 15 N. 3rd Street, Walla Walla, WA 99362.

All labor that uplifts humanity has dignity and importance and should be undertaken with painstaking excellence.” – Martin Luther King

BASIC FINANCIAL STATEMENTS

**City of Walla Walla
Statement of Net Position
December 31, 2012**

	Governmental Activities	Business Activities	Total	Component Unit WWJCDA
ASSETS				
Cash and equivalents	\$ 9,057,526	\$ 23,089,662	\$ 32,147,188	\$ 343,648
Other receivables (net of allowance)	1,564,281	2,703,745	4,268,026	7,143
Prepays	98,233	7,107	105,340	-
Taxes receivables	6,576,494	-	6,576,494	-
Special assessment receivable	380,824	-	380,824	-
Notes receivable	1,245	17,084	18,329	-
Inventories	-	613,709	613,709	-
Unrestricted investments	-	192,649	192,649	-
Temporarily restricted investments	-	3,036,338	3,036,338	-
Restricted cash:				
Temporarily restricted	876,454	2,888,260	3,764,714	-
Permanently restricted	16,545	-	16,545	-
Interfund loans receivable (payable)	(866,676)	866,676	-	-
Internal balances receivable (payable)	267,121	(267,121)	-	-
Capital assets not depreciated:				
Land	3,679,246	1,221,574	4,900,820	-
Construction in progress	3,851,060	1,509,400	5,360,460	-
Capital assets net of accumulated depreciation:				
Buildings and structures	17,505,779	17,380,897	34,886,676	-
Other improvements	3,862,311	6,131,056	9,993,367	-
Machinery and equipment	1,565,079	5,462,386	7,027,465	-
Infrastructure	27,566,704	69,946,838	97,513,542	-
Total assets	<u>\$ 76,002,226</u>	<u>\$ 134,800,260</u>	<u>\$ 210,802,486</u>	<u>\$ 350,791</u>
LIABILITIES				
Accounts payable	\$ 243,219	\$ 36,155	\$ 279,374	\$ 133,708
Other accrued liabilities	1,109,935	779,542	1,889,477	25,754
Unearned revenue	227,943	-	227,943	-
Noncurrent liabilities:				
Due within one year	2,230,270	6,963,203	9,193,473	-
Due in more than one year	17,096,085	39,264,849	56,360,934	-
Total liabilities	<u>\$ 20,907,452</u>	<u>\$ 47,043,749</u>	<u>\$ 67,951,201</u>	<u>\$ 159,462</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue special assessments	\$ 372,609	-	\$ 372,609	-
Total deferred inflows of resources	<u>\$ 372,609</u>	<u>\$ -</u>	<u>\$ 372,609</u>	<u>\$ -</u>
NET POSITION				
Net investment in capital assets	\$ 43,184,306	\$ 60,384,997	\$ 103,569,303	\$ -
Restricted for:				
Permanent funds:				
Expendable	10,884	-	10,884	-
Nonexpendable	16,545	-	16,545	-
Library donations	16,665	-	16,665	-
Parks donations	871,977	-	871,977	-
Unrestricted	10,621,788	27,371,514	37,993,302	191,329
Total net position	<u>\$ 54,722,165</u>	<u>\$ 87,756,511</u>	<u>\$ 142,478,676</u>	<u>\$ 191,329</u>

The notes to the financial statements are an integral part of this statement.

City of Walla Walla
Statement of Activities
For the Year Ended December 31, 2012

Functions/Programs	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Component Unit WWJCDA
Primary government:						
Governmental activities:						
General government	\$ 2,088,127	\$ 343,963	\$ -	\$ (1,744,164)	\$ (1,744,164)	
Public safety	14,869,930	555,043	303,297	(13,959,247)	(13,959,247)	
Utilities and environment	1,976,609	1,154,959	305,877	(15,773)	(15,773)	
Transportation	3,355,492	423,855	6,012	(1,057,919)	(1,057,919)	
Economic environment	42,813	603,117	-	560,304	560,304	
Culture and recreation	3,884,261	327,561	191,975	(3,264,725)	(3,264,725)	
Interest expense	794,914	-	-	(794,914)	(794,914)	
Total governmental activities	27,012,146	3,408,498	1,001,284	(20,276,438)	(20,276,438)	
Business-type activities:						
Ambulance	3,599,965	2,087,991	1,534	(1,510,440)	(1,510,440)	
Golf course	110,774	76,060	-	(28,464)	(28,464)	
Landfill	6,112,551	3,153,082	1,064,607	(1,894,862)	(1,894,862)	
Sanitation	4,282,557	4,687,252	-	404,695	404,695	
Stormwater management	929,937	1,352,572	-	551,962	551,962	
Water/Wastewater	14,320,514	19,044,382	-	5,111,701	5,111,701	
Total business-type activities	29,356,298	30,401,339	1,066,141	2,634,593	2,634,593	
Total primary government	56,368,444	33,809,837	2,067,425	(20,276,438)	(17,641,845)	
Component Unit:						
WWJCDA	\$ 2,911,648	\$ 1,526,442	\$ 20,196	-	-	\$ (1,365,010)
Total component units	2,911,648	1,526,442	20,196	-	-	(1,365,010)
General revenues:						
Taxes:						
Property taxes				6,254,026	-	-
Sales taxes				6,537,878	-	-
Business and occupation taxes				3,075,359	-	-
Payment in lieu of taxes				2,573,264	-	-
Gambling taxes				25,691	-	-
Real estate excise taxes				225,353	-	-
Leasehold taxes				30,839	-	-
Tourism promotion tax				213,602	-	-
E911 access taxes				596,200	-	-
Intergovernmental				2,199,495	1,240,450	1,430,879
Miscellaneous general revenues				27,910	314,137	145
Gain (loss) on sale of capital assets				-	3,156	-
Transfers				577,962	(577,962)	-
Total general revenues and transfers				22,337,579	979,782	1,431,024
Change in net position				2,061,141	3,614,374	66,014
Net position - beginning				52,661,024	84,142,137	125,315
Net position - ending				54,722,165	87,756,511	191,329

The notes to the financial statements are an integral part of this statement.

City of Walla Walla
Balance Sheet
Governmental Funds
December 31, 2012

	General Fund	General CIP's	Street CIP's	Other Governmental	Total Governmental
ASSETS					
Cash and equivalents	\$ 5,007,631	\$ 566,119	\$ 51,529	\$ 2,208,707	\$ 7,833,986
Restricted cash and equivalents	-	-	-	892,999	892,999
Taxes receivables (net)	5,342,535	-	-	1,233,959	6,576,494
Other receivables (net)	508,278	7,794	784,189	102,458	1,402,719
Prepays	48,844	-	-	-	48,844
Special assessments receivable	-	-	-	380,824	380,824
Notes receivable	-	-	-	1,245	1,245
Total assets	<u>\$ 10,907,288</u>	<u>\$ 573,913</u>	<u>\$ 835,718</u>	<u>\$ 4,820,192</u>	<u>\$ 17,137,111</u>
LIABILITIES					
Accounts payable	\$ 115,109	\$ -	\$ 46,109	\$ 52,302	\$ 213,520
Other accrued liabilities	974,300	607	23,919	27,494	1,026,320
Interfund loans payable	-	-	-	866,676	866,676
Unearned revenues	227,942	-	-	-	227,942
Total liabilities	<u>\$ 1,317,351</u>	<u>\$ 607</u>	<u>\$ 70,028</u>	<u>\$ 946,472</u>	<u>\$ 2,334,458</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue property taxes	\$ 5,342,535	\$ -	\$ -	\$ 1,233,959	\$ 6,576,494
Unavailable revenue special assessments	-	-	-	372,610	372,610
Total deferred inflows of resources	<u>\$ 5,342,535</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,606,569</u>	<u>\$ 6,949,104</u>
FUND BALANCE					
Nonspendable	\$ 48,844	\$ -	\$ -	\$ 17,790	\$ 66,634
Restricted	888,642	573,306	-	1,021,890	2,483,838
Committed	11,052	-	759,427	1,487,665	2,258,144
Assigned	-	-	6,263	98,639	104,902
Unassigned	3,298,864	-	-	(358,833)	2,940,031
Total fund balances	<u>\$ 4,247,402</u>	<u>\$ 573,306</u>	<u>\$ 765,690</u>	<u>\$ 2,267,151</u>	<u>\$ 7,853,549</u>
Total liabilities, deferred inflows of resources, fund balances	<u>\$ 10,907,288</u>	<u>\$ 573,913</u>	<u>\$ 835,718</u>	<u>\$ 4,820,192</u>	

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. Capital outlays are expenditures for fund reporting but are asset additions for government wide reporting.	\$ 58,030,178
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds. Proceeds received from new and repayments of existing debts are recorded as resources and expenditures for fund reporting but are additions and reductions of liabilities for government wide reporting.	(19,326,357)
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	6,576,494
Internal service funds are used by management to charge the costs of health and industrial insurance and emergency communication services to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement net position.	1,588,301
Net position of governmental activities	<u><u>\$ 54,722,165</u></u>

The notes to the financial statements are an integral part of this statement.

City of Walla Walla
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2012

	General Fund	General CIP's	Street CIP's	Other Governmental	Total Governmental
REVENUES					
Taxes	\$ 16,043,028	\$ -	\$ -	\$ 2,651,321	\$ 18,694,349
Licenses and permits	469,776	-	-	289,631	759,407
Intergovernmental revenues	1,346,685	21,645	1,652,178	647,152	3,667,660
Charges for goods and services	5,660,224	-	-	420,819	6,081,043
Fines and forfeitures	269,925	-	-	8,113	278,038
Miscellaneous revenues	877,830	2,477	12,812	402,561	1,295,680
Total revenues	<u>\$ 24,667,468</u>	<u>\$ 24,122</u>	<u>\$ 1,664,990</u>	<u>\$ 4,419,597</u>	<u>\$ 30,776,177</u>
EXPENDITURES					
Current:					
General government	\$ 5,899,716	\$ -	\$ -	\$ -	\$ 5,899,716
Public safety	12,475,774	623,154	-	28,783	13,127,711
Utilities and environment	1,994,850	-	-	(2,545)	1,992,305
Transportation	-	-	88,121	1,640,584	1,728,705
Economic environment	37,968	-	-	4,845	42,813
Culture and recreation	2,840,596	-	-	870,019	3,710,615
Debt service:					
Principal retirement	-	-	-	754,595	754,595
Interest	-	-	-	644,259	644,259
Administrative charges	-	-	-	1,382	1,382
Capital outlay:					
General government	81,389	-	-	-	81,389
Public safety	11,836	346,678	-	4,063	362,577
Transportation	-	-	2,432,262	87,949	2,520,211
Total expenditures	<u>\$ 23,342,129</u>	<u>\$ 969,832</u>	<u>\$ 2,520,383</u>	<u>\$ 4,033,934</u>	<u>\$ 30,866,278</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 1,325,339</u>	<u>\$ (945,710)</u>	<u>\$ (855,393)</u>	<u>\$ 385,663</u>	<u>\$ (90,101)</u>

OTHER FINANCING SOURCES (USES)

	General Fund	General CIP's	Street CIP's	Other Governmental	Total Governmental
Transfers in	\$ 340,164	\$ 29,301	\$ 798,014	\$ 921,695	\$ 2,089,174
Transfers out	(634,669)	(14,758)	(274,818)	(656,562)	(1,580,807)
Insurance recoveries	-	-	-	9,198	9,198
Total other financing sources and uses	(294,505)	14,543	523,196	274,331	517,565
Net change in fund balance	1,030,834	(931,167)	(332,197)	659,994	427,464
Fund balances -- beginning	3,216,568	1,504,473	1,097,887	1,607,157	7,426,085
Fund balances -- ending	<u>\$ 4,247,402</u>	<u>\$ 573,306</u>	<u>\$ 765,690</u>	<u>\$ 2,267,151</u>	<u>\$ 7,853,549</u>

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds (above) \$ 427,464

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period. 636,620

The issuance of long-term debt (e.g. bonds, notes) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. 870,322

Revenues reported in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 241,663

Expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. (381,629)

Internal service funds are used by management to charge the costs of emergency communications, vehicle maintenance and replacement to individual funds. The net revenue (loss) of certain activities of internal service funds is reported in the governmental activities. 266,701

Change in net position of governmental activities. \$ 2,061,141

The notes to the financial statements are an integral part of this statement.

**City of Walla Walla
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended December 31, 2012**

	2011/2012 Biennial Budgeted Amounts		Actuals 2011-12	Variance with Final Budget Over (Under)
	Original	Final		
REVENUES				
Taxes	\$ 30,932,730	\$ 31,795,945	\$ 31,760,760	\$ (35,185)
Licenses and permits	912,940	1,013,440	1,025,310	11,870
Intergovernmental revenues	1,698,650	2,802,360	2,975,710	173,350
Charges for goods and services	11,669,950	11,542,860	11,314,650	(228,210)
Fines and forfeits	590,580	583,380	552,020	(31,360)
Miscellaneous revenues	409,120	1,113,480	1,161,290	47,810
Total revenues	46,213,970	48,851,465	48,789,740	(61,725)
EXPENDITURES				
Current:				
General government	11,361,640	11,895,270	11,506,220	(389,050)
Public safety	24,677,180	25,178,060	24,628,570	(549,490)
Utilities and environment	3,974,850	4,198,080	3,862,270	(335,810)
Economic environment	-	553,000	550,950	(2,050)
Culture and recreation	5,081,800	5,715,080	5,506,560	(208,520)
Debt service:				
Principal retirement	34,720	34,720	34,720	-
Interest	370	370	370	-
Capital outlay:				
General government	88,000	201,920	190,820	(11,100)
Public safety	-	198,110	30,680	(167,430)
Culture and recreation	-	24,580	24,320	(260)
Total expenditures	45,218,560	47,999,190	46,335,480	(1,663,710)
Excess (deficiency) of revenues over (under) expenditures	995,410	852,275	2,454,260	1,601,985
OTHER FINANCING SOURCES (USES)				
Insurance recoveries	-	-	29,530	29,530
Transfers in	268,330	713,947	655,580	(58,367)
Transfers out	(1,288,140)	(1,473,960)	(1,262,940)	211,020
Proceeds from disposal of capital assets	-	11,470	22,050	10,580
Total other financing sources, uses and special items	(1,019,810)	(748,543)	(555,780)	192,763
Net change in fund balances	(24,400)	103,732	1,898,480	1,794,748
Fund balances -- beginning	2,314,200	2,314,200	2,314,200	-
Fund balances -- ending	<u>\$ 2,289,800</u>	<u>\$ 2,417,932</u>	<u>4,212,680</u>	<u>\$ 1,794,748</u>
	Interfund loan adjustment		34,720	
	Ending fund balance		<u>\$ 4,247,400</u>	

Figures are rounded to the nearest ten dollars.
The notes to the financial statements are an integral part of this statement.

ASSETS

The notes to the financial statements are an integral part of this statement

City of Walla Walla
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended December 31, 2012

	Business-type Activities - Major Enterprise Funds			Other Enterprise	Total Enterprise	Total Internal Service
	Sanitation	Water/Wastewater	Landfill	Ambulance		
Operating revenues:						
Licenses and permits	\$ 1,035	\$ -	\$ -	\$ -	\$ 1,035	\$ -
Intergovernmental revenues	-	-	3,781	1,236,670	1,240,451	1,332,828
Charges for goods and services	4,627,381	18,754,131	3,137,352	3,398,250	31,294,335	19,929
Discounts and allowances	-	-	-	(1,317,268)	(1,317,268)	-
Miscellaneous revenues	58,836	-	-	-	109,751	20,280
Interfund charges	-	-	-	-	-	7,757,569
Total operating revenues	<u>4,687,252</u>	<u>18,754,131</u>	<u>3,141,133</u>	<u>3,317,652</u>	<u>31,328,304</u>	<u>9,130,606</u>
Operating expenses:						
Depreciation	2,367	2,464,938	374,482	12,443	2,926,229	878,290
Bad debt expense	-	-	-	271,235	271,235	-
Salaries and wages	524,093	1,015,459	558,852	1,700,214	4,006,019	1,230,385
Personnel benefits	238,291	494,401	216,464	615,330	1,650,942	4,912,659
Supplies	77,693	427,014	55,469	114,507	689,284	1,182,569
Services and charges	1,588,346	3,070,387	985,434	72,533	5,813,119	716,368
Intergovernmental services	549,348	2,462,898	374,306	33,588	3,587,786	-
Interfund service payments	1,427,330	2,797,737	1,069,884	750,614	6,430,825	437,018
Total operating expenses	<u>4,407,468</u>	<u>12,732,834</u>	<u>3,634,891</u>	<u>3,570,464</u>	<u>25,375,439</u>	<u>9,357,289</u>
Operating income (loss)	<u>279,784</u>	<u>6,021,297</u>	<u>(493,758)</u>	<u>(252,812)</u>	<u>5,952,865</u>	<u>(226,683)</u>
Nonoperating revenues (expenses):						
Taxes	-	-	-	-	-	596,200
Intergovernmental revenues	-	-	837,366	1,534	838,900	120,984
Miscellaneous revenues	2,670	486,447	25,839	7,681	525,918	110,419
Gain (loss) on sale of capital assets	-	(598,511)	-	-	(598,511)	3,156
Insurance recoveries	-	-	227,241	-	227,241	-
Adjustment to landfill closure liability	-	-	(1,929,514)	-	(1,929,514)	-
Adjustment to pollution remediation liability	-	-	(415,079)	-	(415,079)	-
Debt service - interest	-	(1,064,384)	(196,873)	-	(1,297,145)	(165,654)
Total non-operating revenue (expenses)	<u>2,670</u>	<u>(1,176,448)</u>	<u>(1,451,020)</u>	<u>9,215</u>	<u>(2,648,190)</u>	<u>665,105</u>
Income (loss) before contributions, transfers, special items, and extraordinary items	<u>282,454</u>	<u>4,844,849</u>	<u>(1,944,778)</u>	<u>(243,597)</u>	<u>3,304,675</u>	<u>438,422</u>
Capital contributions	-	387,834	-	-	387,834	101,312
Transfers in	-	310,721	-	-	310,721	69,595
Transfers out	(37,960)	(891,103)	-	-	(929,063)	(69,269)
Change in net position	<u>244,494</u>	<u>4,652,301</u>	<u>(1,944,778)</u>	<u>(243,597)</u>	<u>3,319,394</u>	<u>540,060</u>
Total net position -- beginning	<u>1,355,161</u>	<u>64,827,409</u>	<u>2,151,474</u>	<u>666,382</u>	<u>71,817,067</u>	<u>16,455,793</u>
Total net position -- ending	<u>\$ 1,599,655</u>	<u>\$ 69,479,710</u>	<u>\$ 206,696</u>	<u>\$ 422,785</u>	<u>\$ 75,136,461</u>	<u>\$ 16,995,853</u>
Net change in net position - total proprietary funds					\$ 3,319,394	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds					294,980	
Change in net position of business-type activities					<u>\$ 3,614,374</u>	

The notes to the financial statements are an integral part of this statement.

City of Walla Walla
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2012

	Business-type Activities - Major Enterprise Funds						Total Internal Service
	Sanitation	Water/ Wastewater	Landfill	Ambulance	Other Enterprise	Total Enterprise	
CASH FLOWS FROM OPERATING ACTIVITIES							
Cash from customers	\$ 4,621,963	\$ 18,650,197	\$ 2,971,208	\$ 3,027,640	\$ 1,312,970	\$ 30,583,978	\$ 1,228,702
Cash from interfund services	-	-	-	-	-	-	7,757,569
Payments to suppliers	(2,215,099)	(6,304,006)	(1,426,319)	(221,143)	(287,001)	(10,453,568)	(1,929,909)
Payments to employees	(786,196)	(1,500,157)	(802,554)	(2,293,072)	(295,143)	(5,677,122)	(6,143,059)
Interfund service payments	(1,427,330)	(2,797,737)	(1,069,884)	(750,614)	(385,260)	(6,430,825)	(437,018)
Miscellaneous revenues	58,836	-	-	-	50,915	109,751	-
Payments for landfill closure	-	-	2,344,593	-	-	2,344,593	-
Net cash provided by operating activities	252,174	8,048,297	2,017,044	(237,189)	396,481	10,476,807	476,285
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES							
Cash from taxes	-	-	-	-	-	-	596,200
Operating grants received	-	-	2,678,471	1,534	-	2,680,005	120,984
Proceeds from insurance recovery	-	-	227,241	-	-	227,241	-
Proceeds (repayments) from interfund loan	-	-	(168,672)	-	(56,757)	(225,429)	354,558
Miscellaneous revenues	-	289,882	15,730	69	496	306,177	5,915
Transfers in	-	310,721	-	-	199,066	509,787	69,595
Transfers out	(37,960)	(891,103)	-	-	(89,416)	(1,018,479)	(69,269)
Total cash flows from noncapital financing	(37,960)	(290,500)	2,752,770	1,603	53,389	2,479,302	1,077,983
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES							
Purchase of capital assets	-	(1,115,057)	(14,033)	-	(342,167)	(1,471,257)	(1,179,112)
Capital contributions and purchases	-	387,834	-	-	135,577	523,411	101,312
Principal and interest payments	-	(7,147,895)	(491,227)	-	(29,137)	(7,668,259)	(265,000)
Proceeds from sale of capital assets	-	-	-	-	-	-	3,156
Landfill closure and post-closure care	-	-	(1,929,514)	-	-	(1,929,514)	-
Pollution remediation	-	-	(415,079)	-	-	(415,079)	-
Total cash flows from capital and related financing	-	(7,875,118)	(2,849,853)	-	(235,727)	(10,960,698)	(1,339,644)
CASH FLOWS FROM INVESTING ACTIVITIES							
Interest received	2,669	196,564	8,602	7,611	2,787	218,233	13,135
Total cash flows from investing	2,669	196,564	8,602	7,611	2,787	218,233	13,135
Net increase (decrease) in cash and equivalents	216,883	79,243	1,928,563	(227,975)	216,930	2,213,644	227,759
Beginning cash and cash equivalents	1,179,843	11,572,972	3,693,619	635,503	1,308,078	18,390,015	6,370,046
Ending cash and cash equivalents	\$ 1,396,726	\$ 11,652,215	\$ 5,622,182	\$ 407,528	\$ 1,525,008	\$ 20,603,659	\$ 6,597,805
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:							
Operating income (loss)	\$ 279,785	\$ 6,021,298	\$ (493,758)	\$ (252,812)	\$ 398,354	\$ 5,952,867	\$ (226,683)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:							
Depreciation expense	2,367	2,464,938	374,482	12,443	71,999	2,926,229	878,290
Landfill closure and post-closure care	-	-	2,344,593	-	-	2,344,593	-
(Increase) decrease in accounts receivable	(6,454)	(103,935)	(169,925)	(18,777)	(64,251)	(363,342)	(144,335)
(Increase) decrease in inventories	-	65,246	-	-	-	65,246	6,105
(Increase) decrease in prepaid expenses	-	-	-	-	-	-	(49,389)
Increase (decrease) in accounts payable	288	(408,953)	(11,110)	(515)	(8,335)	(428,625)	12,312
Increase (decrease) in salaries and benefits	(23,812)	9,703	(27,238)	22,472	(1,286)	(20,161)	(15)
Net cash provided by operating activities	\$ 252,174	\$ 8,048,297	\$ 2,017,044	\$ (237,189)	\$ 396,481	\$ 10,476,807	\$ 476,285
No noncash investing, capital, and financing activities							

The notes to the financial statements are an integral part of this statement.

City of Walla Walla
Statement of Net Position
Fiduciary Funds
December 31, 2012

	Pension and Other Employee Benefits
ASSETS	
Cash and equivalents	\$ 352,865
Total assets	<u>352,865</u>
LIABILITIES	
Accounts payable	2,006
Other accrued liabilities	20,354
Due to other governments	-
Total liabilities	<u>22,360</u>
NET POSITION	
Held in trust for pension benefits and other purposes	<u>\$ 330,505</u>

The notes to the financial statements are an integral part of this statement.

City of Walla Walla
Statement of Changes in Net Position
Fiduciary Funds
For the Year Ended December 31, 2012

	Pension and Other Employee Benefits
ADDITIONS	
Contributions:	
Intergovernmental revenues	\$ 40,451
Employer contributions	968,770
Total contributions	<u>1,009,221</u>
Investment earnings:	
Interest on investments	625
Total additions	<u>1,009,846</u>
DEDUCTIONS	
Personnel benefits	940,377
Total deductions	<u>940,377</u>
Change in net position	69,469
Net Position -- beginning of the year	261,036
Net Position -- end of the year	<u><u>\$ 330,505</u></u>

The notes to the financial statements are an integral part of this statement.

“One of the deep secrets of life is that all that is really worth doing
is what we do for others.” – Lewis Carroll

CITY OF WALLA WALLA
Notes to the Financial Statements
December 31, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Walla Walla have been prepared in conformity with generally accepted accounting principles (GAAP) in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies are described below.

A. Reporting Entity

The City of Walla Walla was incorporated in 1862 and operates under the laws of the state of Washington applicable to non-charter code cities with a Council-Manager form of government. As required by generally accepted accounting principles, the financial statements present the activities of the City of Walla Walla, the primary government.

The City is a general purpose government and provides police, fire, ambulance, water/wastewater and sanitation services, a landfill, street maintenance, planning and zoning, a library, parks, and a cemetery. The City has one blended component unit, the Walla Walla Transportation Benefit District, a legally separate entity which is part of the City's operations. The City contracts for operation and maintenance of the municipal golf course and operation of the wastewater treatment plant. Through an interlocal agreement with the County of Walla Walla, the City contracts for development services and code enforcement with the Walla Walla Joint Community Development Agency. The City's basic financial statements include the financial position and results of operations of all funds controlled by the City. The basic financial statements do not include the financial position or results of operations of:

The *Walla Walla School District*, even though its operations are essentially conducted within the City's borders. It is a separate municipal corporation, and no financial interdependence exists between the two entities.

The *Walla Walla Valley Transit*, even though three of the seven board members are appointed by the City Council for a two-year term. The City has no continuing oversight responsibility over operations, and no financial interdependence exists.

The *Walla Walla Housing Authority*, though the City Council appoints their five board members. The members cannot be elected officials and are appointed for five year terms. The City's relationship with the Housing Authority of Walla Walla qualifies as a related organization under GASB 14. RCW 35.82.030 establishes rules governing the Housing Authority. The City has no continuing oversight responsibility for operations, and no financial interdependence exists. The City is under no financial obligation and receives no financial benefit from the relationship.

Blended component unit:

The *Walla Walla Transportation Benefit District (TBD)* is governed by a board composed of the seven members of the City Council of Walla Walla, who serve in an ex-officio and independent capacity. Although legally separated from the City of Walla Walla, the TBD is reported as if it were part of the primary government, because the TBD's sole purpose is to finance, preserve, maintain, construct, or reconstruct the City's transportation infrastructure. The TBD was created by Walla Walla City Council Ordinance No. 2011-19. The City and TBD signed an interlocal agreement on December 9, 2011, to coordinate efforts in maintaining and preserving the transportation infrastructure within the boundaries of the City and to exercise the powers available under RCW 36.73. Send requests for copies of the TBD financial statements to: Finance Manager, City Hall, 15 N. 3rd Avenue, Walla Walla, WA 99362.

Discretely presented component unit:

The *Walla Walla Joint Community Development Agency (WWJCDA)* is an independent entity which resulted from a merger of the City of Walla Walla Development Services Department and the Walla Walla County Community Development Department through an interlocal agreement. The WWJCDA provides land use planning, construction inspection, and code compliance services. In 2012, the City paid a 62% operating subsidy to the WWJCDA. The WWJCDA operating budget is subject to City Council approval. The City Council sets rates and fees charged by the WWJCDA. Two of the five Board of Director members are appointed by the City Council and a third member is appointed for a two year term by the City and the County jointly. Send requests for copies of the WWJCDA financial statements to the Walla Walla Joint Community Development Agency, 55 Moore Street, Walla Walla, WA 99362.

B. Government-Wide and Fund Financial Statements

The government-wide statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. The City's policy is to not allocate indirect costs to a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or

segment and 2) grants and contributions which are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate fund financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary and fiduciary fund financial statements. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Fiduciary funds account for resources legally held in *trust* or *agency* capacity for others and therefore cannot be used to support the government's own programs. Trust funds employ the same economic resource measurement focus and accrual basis of accounting as proprietary funds. Agency funds report only assets and liabilities and use the accrual basis of accounting to recognize receivables and payables. Agency funds have no measurement focus as the purpose of this type of fund is to simply receive and disburse funds belonging to another organization.

Governmental fund financial statements are reported using the flow of current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or shortly after to pay liabilities of the current period. For this purpose, the City considers revenues to be available if collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when the related fund liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, licenses, and interest associated within the current period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of the special assessment receivable due within the current fiscal period is considered to be susceptible to accrual as current period revenue. Other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

The *general fund* is the City's primary operating fund. It accounts for all governmental financial resources, except those required to be accounted for in another fund.

The *general construction* fund accounts for financial resources related to the construction of general governmental construction and related assets.

The *street construction* fund accounts for financial resources related to the construction of streets and related assets.

The City reports the following major proprietary funds:

The *sanitation fund* is responsible for the pick-up and disposal of solid waste throughout the City and administers the contract for the City's recycling program.

The *water/wastewater fund* accounts for the water-treatment plant activities, wastewater treatment and disposal, as well as the distribution of water and the collection of wastewater throughout the City including some areas outside the City limits.

The *landfill fund* accounts for activities related to waste stored at the landfill, composting operations, and the household hazardous waste disposal program.

The *ambulance fund* accounts for the activities related to in-town service, most of the county emergency ambulance services, and long-distance ambulance transport services.

Additionally, the City reports the following fund types:

Special revenue funds are used to account for revenues raised for a specific purpose.

Debt service funds account for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

Capital project funds are used to report significant capital acquisition and construction separate from ongoing operating activities.

Permanent funds are used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs.

Internal service funds are proprietary funds used to account for an activity which provides goods or services to other funds, departments, or agencies of the primary government and its component units.

Pension trust funds account for pension and medical costs for active and retired Fire Department employees qualified under State statutes.

As a general rule, the effect of the interfund activity has been eliminated for the city-wide financial statements. Exceptions to this general rule are administrative overhead charges where the amounts are reasonably equivalent in value to the interfund services provided. Likewise, other charges between the government's utility functions and certain other service functions and various other functions of the government have not been eliminated. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers, 2) operation grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than program revenues. General revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. The principal operating revenues for enterprise funds are charges for services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and capital asset depreciation. Revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. Budgetary Information

In 2008, the City of Walla Walla changed from an annual budget to a biennial budget in accordance with the Revised Code of Washington (RCW) 35.34.

1. Scope of budget

Biennial appropriated budgets are adopted for the general, special revenue, proprietary and pension trust funds on an accrual basis consistent with generally accepted accounting principles. Budgets for debt service and capital project funds are adopted at the level of the individual debt issue or project and for the fiscal periods which correspond to the lives of debt issues or projects.

The appropriated budget is prepared by fund, function, and department. The fund level is the legal level for budgetary control. Appropriations generally lapse at year-end, except for appropriations for capital outlays, which may be carried forward from year to year until fully expended or the purpose of the appropriation has been accomplished or abandoned.

Encumbrance accounting is employed to assure effective budgetary control and accountability. While encumbrances lapse at year end, valid outstanding encumbrances for which performance is expected in the next year are reinstated and honored during the subsequent year.

2. Procedures for Adopting the Original Budget

The City of Walla Walla's budget procedures are mandated by RCW 35.34. The City of Walla Walla used the following steps to establish the biennial budget reflected in the financial statements:

- Prior to October 1 in even-numbered years, the City Manager submits to the City Clerk the proposed operating budget for the biennial period commencing the following January 1. The operating budget includes proposed expenditures and revenues for the biennium.
- In November, public hearings are held at regular Council meetings to obtain taxpayer comments.
- In December, the biennial budget is legally adopted by Council ordinance.

3. Amending the Budget

The City Manager is authorized to transfer from fund balance and to transfer budgeted amounts between departments within any fund. However, revisions which alter the total revenues of the City must be approved by the City Council and adopted by ordinance. When the Walla Walla City Council determines it is in the best interest of the City to increase or decrease the appropriation for a particular fund, it may do so by ordinance approved by one more than the majority after holding a public hearing.

The financial statements contain the original and final budget information. The original budget is the first complete appropriated budget. The final budget is the original budget adjusted by all reserves, transfers, allocations, supplemental appropriations, and other legally authorized changes applicable for the biennium.

4. Excess of expenditures over appropriations

For the year ended December 31, 2012, the General Fund as a whole did not exceed the appropriated amount.

5. Deficit fund equity

The Bond Local Improvement District (LID) fund showed a deficit fund equity position of (\$357,017) at December 31, 2012. This is expected and normal since the debt related to this debt service is from an interfund loan rather than an outside funding source. With internal financing the debt is carried within the fund and therefore results in a negative fund balance. Interfund loans payable in the LID Bond fund total \$515,163 and will be redeemed with annual assessment proceeds.

E. Assets, Liabilities, Fund Balance, Net Position

1. Cash and Equivalents

The City reports both restricted and unrestricted cash, cash equivalents, and investments. Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from acquisition date. Restricted cash, cash equivalents, and investments are resources limited to capital improvements, debt service, or other uses per contractual or legal requirements.

State statutes and the City's investment policies authorize the City to invest in obligations of the U.S. treasury, repurchase agreements, and the State Treasurer's Local Government Investment Pool (LGIP). The investment interest is allocated to the various funds monthly.

The City's deposits are covered by federal depository insurance (FDIC and FSLIC) or by collateral held in the multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (WPDPCC).

The City reports long-term investments at cost which approximates fair value for the items held. The reported value of the pool is the same as the fair value of the pool shares. The LGIP operates in accordance with appropriate state law and regulations.

2. Investments See deposit investment information in Note 4 A.

3. Receivables

Taxes receivable consist of property taxes and related interest and penalties (see Note 5).

Special assessments are recorded when levied. Special assessments receivable consist of current and delinquent assessments and related interest and penalties. Deferred assessments consist of unbilled special assessments which are liens against the property benefited.

Accounts receivable are amounts owed from private individuals or organizations for goods and services, including amounts owed for which billings have not been prepared. The Ambulance Fund allowance for uncollectible accounts is 45% of the outstanding receivables at December 31, 2012. Notes and contracts receivable consist of amounts owed on open account from private individuals or organizations for goods and services rendered. Since the City is unable by law to grant credit to any entity, loans receivable are related to grant monies received from other agencies which have authorized the loan as part of the grant process. Loan repayments establish revolving loan funds for future loans which match the original grant purpose.

4. Amounts Due To and From Other Funds and Governments, Interfund Loans, Advances Receivable

Lending or borrowing arrangements between funds outstanding at the end of the fiscal year are referred to as "interfund loans payable/receivable." All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances." A separate schedule of interfund loans receivable and payable is furnished in Note 15.

Loans between funds, as reported in the fund financial statements, are included as a liability in applicable governmental funds so that the indicated fund balance represents amounts available for appropriation and expendable available financial resources.

5. Inventories

Inventories are valued by the FIFO (first-in-first-out) method. Inventories in governmental funds consist of expendable supplies held for consumption. Inventories of governmental funds are recorded as expenditures at the time individual inventory items are purchased. The inventories associated with internal service funds which support governmental activities and enterprise funds report inventories as expenditures when they are consumed rather than when they are purchased. The reserve for inventory is equal to the ending amount of inventory to indicate a portion of the fund balance is not available for future expenditures.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

6. Restricted Assets and Liabilities

Corporates of permanent funds are included in restricted assets. Cash in the Cemetery Endowment fund is restricted for the care and maintenance of the cemetery. The “landfill closure” account is used by the landfill fund and contains resources set aside to fund future landfill closure and post closure costs. The pollution remediation account contains resources for current activity on the remediation of the Landfill. Certain resources set aside for the repayment of revenue bonds are classified as restricted assets on the balance sheet because they are maintained in a separate investment account and their use is limited by applicable bond covenants. The “bond debt service” account is used by the water/wastewater fund to report resources set aside to subsidize potential deficiencies from the water/wastewater operations that could adversely affect debt service payments. Restricted assets are composed of:

Restricted Assets	Temporary Restrictions	Permanent Restrictions
Esther Eyrud Trust	\$ -	\$ 3,000
Sherwood Library Trust	-	13,545
Cemetery Endowment	876,454	-
Landfill Closure	1,666,954	-
Pollution Remediation	1,221,306	-
Water/Wastewater Debt Service	3,036,338	-

7. Capital Assets

Capital assets include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) and are reported in the applicable governmental or business-type columns in the government-wide financial statements. Capital assets, other than infrastructure assets, are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Costs for additions or improvements to capital assets are capitalized when the effectiveness or efficiency of the asset is increased. Costs for normal maintenance and repairs are not capitalized.

The government reports infrastructure assets on a network and subsystem basis. Accordingly, the amounts spent for the construction or acquisition of infrastructure assets are capitalized and reported in the government-wide financial statements. In the case of the initial capitalization of general infrastructure assets (i.e., those reported by governmental activities) the City chose to include all such items regardless of their acquisitions date or amount. The City was able to estimate the historical cost for the initial reporting of these assets through back-trending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriated price-level index to deflate the cost to the acquisition year or estimated acquisition year). As the City

constructs or acquires additional capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations, the City values donated capital assets at the estimated fair value of the item at the date of its donation. Interest incurred during the construction phase of the capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the City are depreciated using the straight line method over the following estimated useful lives:

Assets	Capitalization Threshold	Years
Land	\$30,000	n/a
Buildings	30,000	10 to 100
Improvements	30,000	5 to 100
Infrastructure	30,000	5 to 125
Intangible assets	30,000	Varies
Machinery and equipment	5,000	2 to 20

For capital asset details, see Note 6.

8. Deferred Outflows and Inflows of Resources

Deferred inflows of resources. A deferred inflow of resources is an acquisition of net assets by the government which is applicable to a future reporting period. At the end of the current fiscal year, the various components of deferred inflows of resources reported in the governmental funds were as follows:

Property taxes (general fund)	\$5,342,535
Property taxes (debt service fund)	1,233,959
Special assessments (debt service fund)	<u>372,609</u>
Total governmental deferred inflow of resources	<u><u>\$6,949,103</u></u>

9. Compensated Absences

Compensated absences are paid time off work, such as vacation and sick leave benefits. Vacation and sick pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. In proprietary funds, compensated absences are recorded as an expense and liability when earned. Compensated absence expenditures are recognized in government funds when the liability becomes due and payable, specifically leave due to employees who have left active service by the end of the fiscal period.

Contracts with employees call for the accumulation of vacation leave and sick pay benefits. Vacation pay may be accumulated up to 240 hours, and is payable upon resignation, retirement, or death. At

employment termination, employees with at least 10 years of continuous service may receive cash payment for 25% of accumulated sick leave up to a maximum of 240 hours.

10. Other Accrued Liabilities

Other accrued liabilities include accrued wages and employee benefits, deposits, sales and use tax payable, and retainage payable.

11. Long-term Debt

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Material bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures when incurred. Long-term debt details are available in Note 10.

12. Unearned Revenue

Governmental funds defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, unearned revenue reported in the governmental funds consists of \$227,942 in prepaid cemetery services.

13. Fund Balance Classification

Fund balance for governmental funds is reported in the following classifications depicting the relative strength of the constraints which control how specific amounts can be spent. The City considers expenditures to be made from the most restrictive resource when more than one fund balance classification is appropriate.

- Nonspendable fund balances are either not in spendable form or are legally or contractually required to remain intact.
- Restricted fund balances have constraints placed upon the use of the resources either by an external party or imposed by law through a constitutional provision or enabling legislation.
- Committed fund balances can only be used for specific purposes ordained by the City Council, the City's highest level of decision-making authority. Commitments may be changed, modified, or rescinded only by ordinance approved by the vote of one more than the majority of all members of the City Council.

- Assigned fund balances are constraints imposed for specific purposes by the City Manager who is authorized to assign unexpended funds per Walla Walla Municipal Code 3.03.050.
- Unassigned fund balance is the residual amount of the General Fund not included in the four categories above. Also, deficit fund balances within other governmental fund types are reported as unassigned.

14. Fund Balance Details

Fund balances by classification for the year ended December 31, 2012 were as follows:

Fund Balances	General Fund	General CIP's	Street CIP's	Other Governmental	Total Governmental
Nonspendable:					
Prepays	\$ 48,844	\$ -	\$ -	\$ -	\$ 48,844
Loans Receivable	-	-	-	1,245	1,245
Library Trusts	-	-	-	16,545	16,545
Restricted for:					
Community Services	888,642	-	-	863,791	1,752,433
Debt Service	-	-	-	158,099	158,099
Capital Projects	-	573,306	-	-	573,306
Committed to:					
Community Enforcement & Development	11,052	-	-	434,091	445,143
Cemetery	-	-	-	876,454	876,454
Debt Service	-	-	-	51,163	51,163
Streets	-	-	-	125,958	125,958
Capital Projects	-	-	759,427	-	759,427
Assigned to:					
UDAG Fund	-	-	-	84,722	84,722
Cemetery and Library	-	-	-	13,917	13,917
Capital Projects	-	-	6,263	-	6,263
Unassigned:	3,298,864	-	-	(358,834)	2,940,030
Total Fund Balances:	\$ 4,247,402	\$ 573,306	\$ 765,690	\$ 2,267,151	\$ 7,853,549

15. Minimum Fund Balance

In 2010, the City Council passed a General Fund Reserve Policy to establish a minimum unassigned fund balance for the General Fund. The policy requires an annual review of the General Fund reserve level and sets the minimum reserve level at 5%. In addition, the policy sets a higher target of 15% for the General Fund reserve level. If at any time, the level of the reserves is projected to drop below the 5% minimum, the City Council will institute budgetary actions to bring the reserve up to the minimum level.

NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of certain differences between the governmental funds balance sheet and the government-wide statement of net position

The governmental funds balance sheet includes reconciliation between fund balance – total governmental funds and net position-governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains that “capital assets used in

governmental activities are not financial resources and, therefore, are not reported in the funds.” The following shows the detail of these capital asset changes net of accumulated depreciation:

Beginning balance of capital assets excluded from fund level:

Land	\$ 3,679,246
Construction in progress	15,346,646
Buildings	9,134,816
Other improvements	3,854,999
Equipment	1,627,031
Infrastructure	23,751,860
Current year spending in construction work in progress	2,281,605
Current year capital purchases	907,731
Current year depreciation	(2,553,756)
Net adjustment to add to government-wide fund balance to arrive at	
<i>Net position-governmental activities</i>	<u><u>\$ 58,030,178</u></u>

Another element of that reconciliation explains that “long-term liabilities...are not due and payable in the current period and are not reported in the funds.” The following shows the detail of these liability changes:

Beginning balance of long-term liabilities excluded from fund level:

Bonds payable	\$ (15,952,984)
Bond premiums	(160,530)
Compensated absences	(1,714,242)
Workers compensation claims	(184,815)
OPEB obligation	(1,764,975)
Net pension obligation	(37,504)
Current year principal payments reducing debt	854,587
Current year amortization of bond premium	15,735
Current year compensated absences earned	(1,425,761)
Current year compensated absences used	1,317,238
Current year workers compensation claim additions	(69,303)
Current year workers compensation claim reductions	94,505
Current year OPEB obligation additions	(1,489,894)
Current year OPEB obligation reductions	1,176,266
Current year net pension obligation additions	(297,821)
Current year net pension obligation reductions	313,141
Net adjustment to add to government-wide fund balance to arrive at	
<i>Net position-governmental activities</i>	<u><u>\$ (19,326,357)</u></u>

B. Explanation of certain differences between the governmental funds statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The governmental funds statement of revenues, expenditures, and changes in fund balances includes reconciliation between net changes in fund balances – total governmental funds and

changes in net position of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The details of this difference are as follows:

Current year spending in CWIP	\$ 2,281,605
Current year capital purchases	908,770
Depreciation expense	(2,553,755)
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in <i>net position</i> of governmental activities	<u><u>\$ 636,620</u></u>

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The details of this difference are as follows:

Amortization of bond premiums	\$ 15,735
Debt principal retirement	854,587
<i>Net adjustment to decrease net changes in fund balances -</i> total governmental funds to arrive at changes in <i>net position</i> of governmental activities	<u><u>\$ 870,322</u></u>

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. The details of this difference are as follows:

Current year compensated absences earned	(1,425,761)
Current year compensated absences used	1,317,238
Current year OPEB obligation additions	(1,489,894)
Current year OPEB obligation reductions	1,176,266
Current year net pension obligation additions	(297,821)
Current year net pension obligation reductions	313,141
Current year workers compensation claim additions	(69,303)
Current year workers compensation claim reductions	94,505
<i>Net adjustment to decrease net changes in fund balances -</i> total governmental funds to arrive at changes in <i>net position</i> of governmental activities	<u><u>\$ (381,629)</u></u>

NOTE 3 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

There have been no material violations of finance-related legal or contractual provisions.

NOTE 4 – DEPOSITS AND INVESTMENTS

A. Deposits

The City's deposits are entirely covered by federal depository insurance (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the WPDPC. The State of Washington Public Deposit Protection Commission Act, implemented on August 11, 1969, was amended during the 2009 legislative session to fully protect public deposits in the result of bank failure. At fiscal year end, the City of Walla Walla had \$1,954,745 on deposit with Baker Boyer National Bank. The FDIC insures those deposits up to \$250,000. The remaining amount on deposit is fully protected by the WPDPC, eliminating custodial credit risk for the \$1,704,745 deposit amount over the FDIC \$250,000 limit.

B. Investments

As of December 31, 2012, the government had the following investments, stated at cost which approximates fair value:

	<u>Fair Value</u>	<u>Weighted Average Maturities (Years)</u>
LGIP cash equivalents	\$35,360,396	0.18
AIG Matching Fund investment	<u>3,228,988</u>	3.79
Total investments at fair value	\$38,589,384	
Portfolio Weighted Average Maturity		0.48

Credit rating. AIG Matching Fund Corporation investments have a Moody's rating of Baa1. The Local Government Investment Pool (LGIP) does not have a credit rating as they are governmental and do not subscribe to a rating service. The LGIP is a voluntary investment vehicle operated by the State Treasurer pursuant to RCW 43.250.

Interest rate risk. Interest rate risk is the risk that interest rates changes over time will adversely affect the fair value of an investment. The City's investment policy is to diversify the investment portfolio to eliminate the risk of loss resulting from over concentration of assets in a specific maturity, but the policy does not state specific requirements.

Credit risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. The City policy allows the following types of investments in accordance with state law: demand or investment deposits in qualified public depositories located within the state; United States government bonds, notes, bills, certificates of indebtedness, or interim financing warrants of a local improvement district of the City of Walla Walla which is within the protection of the local improvement guaranty fund law; mutual funds and money market funds; bonds and other obligations of a metropolitan municipal corporation; notes or bonds secured by mortgages insured by the federal agencies or corporations; notes, bonds and debentures; the Local Government Investment Pool in the State Treasury; and such other investments authorized by law and approved by ordinance or resolution of the Walla Walla City Council.

Custodial credit risk – investments. Custodial credit risk is the risk that in event of a failure of the counterparty to an investment transaction the City would not be able to recover the value of the investment or collateral securities. The City limits custodial credit risk by holding investments which

are insured and are registered or held by the City's agent in the City's name. Certificates of deposit are entirely covered by federal depository insurance (FDIC and FSLIC) or by collateral held in a multiple financial institution collateral pool administered by the WPDPC. With regard to bankers' acceptances, no more than ten percent of the portfolio shall be with any one institution. With regard to certificates of deposit, no more than thirty-three percent of the portfolio shall be with any one financial institution.

Concentration risk. It is the policy of the City to diversify its investment portfolio to eliminate the risk of loss resulting from over concentration of assets in a specific class of securities. With the exception of U.S. Treasury securities and the state investment pool, no more than twenty percent will be in bankers' acceptances and no more than ten percent in certificates of deposits with savings and loans.

NOTE 5 – PROPERTY TAX

Taxes Receivable. The county treasurer acts as an agent to collect property taxes levied in the county for all taxing authorities. Collections are distributed by the 20th day of the following month.

Property Tax Calendar

January 1	Tax is levied and becomes an enforceable lien against properties.
February 14	Tax bills are mailed.
April 30	First of two equal installment payments is due.
October 31	Second installment is due.
December 31	Assessed property value is established for next year's levy at market value.

Property tax is recorded as a receivable and deferred inflow of resources when levied. Upon receipt, property tax revenue is recognized and deferred inflow of property tax revenue is reduced. Delinquent taxes total \$322,468. Subsequent collections of delinquent amounts will be recorded as revenue in the period actually received. No allowance for uncollectible tax is established, because delinquent taxes are considered fully collectible.

The City may levy up to \$3.60 per \$1,000 of assessed value for general governmental services, subject to two limitations:

- a. State law provides that the City's operating levy may not exceed 101% of the largest single levy of the past 3 years, plus an additional dollar amount calculated by multiplying the increase in assessed value resulting from new construction, property improvements, annexed property, and an increase in the assessed value for the preceding year.
- b. Washington State Constitution and Washington State law, RCW 84.55.010, limit the property tax rate to one percent of assessed value. If the taxes of all districts exceed this amount, each is proportionately reduced until the total is at or below the one percent limit.

The City's 2012 levy was \$2.3861 per \$1,000 on a 2011 assessed valuation of \$1,998,943,250 for a total operating levy of \$4,769,722. The City's 2013 levy was \$2.5166 per \$1,000 on a 2012 assessed valuation of \$2,005,723,860 for a total regular levy of \$5,047,547.

Special levies approved by the voters are not subject to the limitations listed above. The City voted a debt service levy for the purposes of building a fire station in 2004 and a police station in 2009. The City's 2012 voted levy was \$0.6073 per \$1,000 on a 2011 assessed valuation of \$1,967,917,150 for a total voted levy of \$1,195,112. The City's 2013 voted levy was \$.610139 per \$1,000 on a 2012 assessed valuation of \$1,977,383,060 for a total voted levy of \$1,206,479.

NOTE 6 – CAPITAL ASSETS

Capital asset activity for the year ending December 31, 2012 was as follows:

Primary Government	Beginning			Ending
Governmental activities	Balance	Increase	Decrease	Balance
Capital assets not being depreciated:				
Land	\$3,679,246	-	-	\$3,679,246
Construction in progress	15,038,825	2,359,701	13,547,466	3,851,061
Total capital assets not being depreciated	18,718,072	2,359,701	13,547,466	7,530,307
Capital assets being depreciated:				
Buildings	14,251,780	8,688,437	-	22,940,217
Improvements other than buildings	5,109,554	100,000	-	5,209,554
Machinery and equipment	3,234,664	222,981	14,005	3,443,640
Infrastructure	49,795,830	5,366,722	14,000	55,148,552
Total depreciated capital assets	72,391,827	14,378,139	28,005	86,741,962
Less accumulated depreciation for:				
Buildings	4,925,840	508,599	-	5,434,439
Improvements other than buildings	1,238,413	108,833	-	1,347,246
Machinery and equipment	1,607,633	284,932	14,005	1,878,560
Infrastructure	25,944,455	1,651,392	14,000	27,581,846
Total accumulated depreciation	33,716,341	2,553,755	28,005	36,242,091
Capital assets being depreciated, net	38,675,487	11,824,385	-	50,499,872
Governmental activities capital, net	\$ 57,393,559	\$ 14,184,086	\$ 13,547,466	\$58,030,178
Business-type activities:				
Capital assets not being depreciated:				
Land	\$1,221,574	-	-	\$1,221,574
Construction in progress	4,385,313	1,378,935	4,254,848	1,509,400
Total capital assets not being depreciated	5,606,887	1,378,935	4,254,848	2,730,974
Business-type assets being depreciated:				
Buildings	31,093,756	-	-	31,093,756
Improvements other than buildings	7,835,622	-	-	7,835,622
Machinery and equipment	15,642,316	1,734,207	896,058	16,480,465
Infrastructure	91,686,104	4,260,757	1,105,727	94,841,135
Total depreciated capital assets	146,257,798	5,994,964	2,001,784	150,250,977
Less accumulated depreciation for:				
Buildings and system	13,113,625	599,236	-	13,712,860
Improvements other than buildings	1,328,055	376,511	-	1,704,566
Machinery and equipment	11,074,109	840,029	896,058	11,018,080
Infrastructure	23,539,738	1,861,775	507,215	24,894,297
Total accumulated depreciation	49,055,527	3,677,550	1,403,273	51,329,804
Capital assets being depreciated, net	97,202,271	2,317,414	598,511	98,921,174
Business-type activities capital, net	\$102,809,159	\$3,696,349	\$4,853,360	\$101,652,148

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	<u>Depreciation</u>
General government	\$286,618
Public safety	399,429
Utilities & environment	4,584
Transportation	1,653,817
Culture & recreation	209,307
Total depreciation - governmental activities	<u>\$2,553,755</u>
Business-type activities:	
Golf course	\$55,184
Sanitation	2,367
Water	980,230
Stormwater	16,815
Wastewater	1,484,709
Landfill	374,482
Ambulance	12,443
Fleet services	4,972
Vehicle replacement fund	746,349
Total depreciation - business-type activities	<u>\$3,677,550</u>

The City of Walla Walla has active construction projects as of December 31, 2012. At year-end the government's commitments with contractors are as follows:

	<u>Project Commitment</u>	<u>Spent to Date</u>	<u>PO Amount Remaining</u>
General construction	\$ 49,744	\$ 37,529	\$ 12,215
Street construction	1,309,308	981,636	327,672
TBD street construction	89,083	57,664	31,419
Water construction	450,735	353,147	97,588
Storm water construction	498,293	186,725	311,568
Landfill construction	1,606,368	995,674	610,694
Wastewater construction	115,462	83,442	32,020
	<u>\$4,118,993</u>	<u>\$2,695,817</u>	<u>\$1,423,176</u>

NOTE 7 – PENSION PLANS

Substantially all City of Walla Walla full-time and qualifying part-time employees participate in one of the following statewide retirement systems administered by the Washington State Department of Retirement Systems, under cost-sharing multiple-employer public employee defined benefit retirement plans. The Department of Retirement Systems (DRS), a department within the primary government of the State of Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to: Department of Retirement Systems, Communications Unit, P.O. Box 48380, Olympia, WA 98504-8380; or it may be downloaded from the DRS website at www.drs.wa.gov. The following disclosures are made pursuant to GASB Statements No. 27, Accounting for Pensions by State and Local Government Employers and No. 50, Pension Disclosures, an Amendment of GASB Statements No. 25 and No. 27.

In addition, the City of Walla Walla requested Milliman, Inc. to perform an actuarial valuation of the City's Firefighters' Pension Fund effective January 1, 2012. For more details on the contents of the report, please see "Local Governments Pension Trust Funds" and "Other Post Employment Benefits" sections below. A copy of the actuarial valuation can be obtained from the City Clerk's office.

Public Employees' Retirement System (PERS) Plans 1, 2 and 3

Plan Description

The Legislature established PERS in 1947. Membership in the system includes: elected officials; state employees; employees of the Supreme, Appeals, and Superior courts; employees of legislative committees; community and technical colleges, college and university employees not participating in higher education retirement programs; employees of district and municipal courts; and employees of local governments. Approximately 50 percent of PERS salaries are accounted for by state employment. PERS retirement benefit provisions are established in Chapters 41.34 and 41.40 RCW and may be amended only by the State Legislature.

PERS is a cost-sharing multiple-employer retirement system comprised of three separate plans for membership purposes: Plans 1 and 2 are defined benefit plans and Plan 3 is a defined benefit plan with a defined contribution component.

PERS members who joined the system by September 30, 1977 are Plan 1 members. Those who joined on or after October 1, 1977 and by August 31, 2002 for local government employees are Plan 2 members unless they exercised an option to transfer their membership to Plan 3. PERS members joining the system on or after September 1, 2002 for local government employees have the irrevocable option of choosing membership in either PERS Plan 2 or Plan 3. The option must be exercised within 90 days of employment. Employees who fail to choose within 90 days default to Plan 3. Notwithstanding, PERS Plan 2 and Plan 3 members may opt out of plan membership if terminally ill, with less than five years to live.

PERS is comprised of and reported as three separate plans for accounting purposes: Plan 1, Plan 2/3, and Plan 3. Plan 1 accounts for the defined benefits of Plan 1 members. Plan 2/3 accounts for the defined benefits of Plan 2 members and the defined benefit portion of benefits for Plan 3 members. Plan 3 accounts for the defined contribution portion of benefits for Plan 3 members. Although members can only be a member of either Plan 2 or Plan 3, the defined benefit portions of Plan 2 and Plan 3 are accounted for in the same pension trust fund. All assets of this Plan 2/3 defined benefit plan may legally be used to pay the defined benefits of any of the Plan 2 or Plan 3 members or beneficiaries, as defined by the terms of the plan. Therefore, Plan 2/3 is considered to be a single plan for accounting purposes.

PERS Plan 1 and Plan 2 retirement benefits are financed from a combination of investment earnings and employer and employee contributions. Employee contributions to the PERS Plan 1 and Plan 2 defined benefit plans accrue interest at a rate specified by the Director of DRS. During DRS' Fiscal Year 2012, the rate was five and one-half percent compounded quarterly. Members in PERS Plan 1 and Plan 2 can elect to withdraw total employee contributions and interest thereon upon separation from PERS-covered employment.

PERS Plan 1 members are vested after the completion of five years of eligible service. PERS Plan 1 members are eligible for retirement after 30 years of service, or at the age of 60 with five years of service, or at the age of 55 with 25 years of service. The monthly benefit is 2 percent of the average final compensation (AFC) per year of service, but the benefit may not exceed 60 percent of the AFC. The AFC is the monthly average of the 24 consecutive highest-paid service credit months. The monthly benefit is subject to a minimum for retirees who have 25 years of service and have been retired 20 years, or who have 20 years of service and have been retired 25 years. If a survivor option is chosen, the benefit is reduced. Plan 1 members retiring from inactive status prior to the age of 65 may also receive actuarially reduced benefits. Plan 1 members may elect to receive an optional COLA that provides an automatic annual adjustment based on the Consumer Price Index. The adjustment is capped at 3 percent annually. To offset the cost of this adjustment, the benefit is reduced.

PERS Plan 1 provides duty and non-duty disability benefits. Duty disability retirement benefits for disablement prior to the age of 60 consist of a temporary life annuity. The benefit amount is \$350 a month, or two-thirds of the monthly AFC, whichever is less. The benefit is reduced by any workers' compensation benefit and is payable as long as the member remains disabled or until the member attains the age of 60, at which time the benefit is converted to the member's service retirement amount. A member with five years of covered employment is eligible for non-duty disability retirement. Prior to the age of 55, the benefit amount is 2 percent of the AFC for each year of service reduced by 2 percent for each year that the member's age is less than 55. The total benefit is limited to 60 percent of the AFC and is actuarially reduced to reflect the choice of a survivor option. Plan 1 members may elect to receive an optional COLA amount (based on the Consumer Price Index), capped at 3 percent annually. To offset the cost of this adjustment, the benefit is reduced.

PERS Plan 1 members can receive credit for military service while actively serving in the military if such credit makes them eligible to retire. Members can also purchase up to 24 months of service credit lost because of an on-the-job injury. The survivor of a PERS Plan 1 member who dies after having earned ten years of service credit has the option, upon the member's death, of either a monthly survivor benefit or the lump sum of contributions plus interest.

PERS Plan 2 members are vested after the completion of five years of eligible service. Plan 2 members are eligible for normal retirement at the age of 65 with five years of service. The monthly benefit is 2 percent of the AFC per year of service. The AFC is the monthly average of the 60 consecutive highest-paid service months. There is no cap on years of service credit; and a cost-of-living allowance is granted (based on the Consumer Price Index), capped at 3 percent annually. PERS Plan 2 members, who have at least 20 years of service credit and are 55 years of age or older, are eligible for early retirement with a reduced benefit. The benefit is reduced by an early retirement factor (ERF) that varies according to age, for each year before age 65.

PERS Plan 2 members who have 30 or more years of service credit and are at least 55 years old can retire under one of two provisions:

- With a benefit that is reduced by 3 percent for each year before age 65; or
- With a benefit that has a smaller (or no) reduction (depending on age) that imposes stricter return-to-work rules.

PERS Plan 2 retirement benefits are also actuarially reduced to reflect the choice, if made, of a survivor option. The surviving spouse or eligible child(ren) of a PERS Plan 2 member who dies after having earned ten years of service credit has the option of either a monthly benefit or a lump sum payment of the member's contributions plus interest.

PERS Plan 3 has a dual benefit structure. Employer contributions finance a defined benefit component and member contributions finance a defined contribution component. As established by Chapter 41.34 RCW, employee contribution rates to the defined contribution component range from 5 percent to 15 percent of salaries, based on member choice. There are currently no requirements for employer contributions to the defined contribution component of PERS Plan 3.

PERS Plan 3 defined contribution retirement benefits are dependent upon the results of investment activities. Members may elect to self-direct the investment of their contributions. Any expenses incurred in conjunction with self-directed investments are paid by members. Absent a member's self-direction, PERS Plan 3 investments are made in the same portfolio as that of the PERS 2/3 defined benefit plan. For DRS' fiscal year 2012, PERS Plan 3 employee contributions were \$95.2 million, and plan refunds paid out were \$66.2 million.

The defined benefit portion of PERS Plan 3 provides members a monthly benefit that is 1 percent of the AFC per year of service. The AFC is the monthly average of the 60 consecutive highest-paid service months. There is no cap on years of service credit, and Plan 3 provides the same cost-of-living allowance as Plan 2.

Effective June 7, 2006, PERS Plan 3 members are vested in the defined benefit portion of their plan after ten years of service; or after five years of service, if twelve months of that service are earned after age 44; or after five service credit years earned in PERS Plan 2 by June 1, 2003. Plan 3 members are immediately vested in the defined contribution portion of their plan.

Vested Plan 3 members are eligible for normal retirement at age 65, or they may retire early with the following conditions and benefits:

- If they have at least ten service credit years and are 55 years old, the benefit is reduced by an ERF that varies with age, for each year before age 65.
- If they have 30 service credit years and are at least 55 years old, they have the choice of a benefit that is reduced by 3 percent for each year before age 65; or a benefit with a smaller (or no) reduction factor (depending on age) that imposes stricter return-to-work rules.

PERS Plan 3 benefit retirement benefits are also actuarially reduced to reflect the choice, if made, of a survivor option.

PERS Plan 2 and Plan 3 provide disability benefits. There is no minimum amount of service credit required for eligibility. The Plan 2 monthly benefit amount is 2 percent of the AFC per year of service. For Plan 3, the monthly benefit amount is 1 percent of the AFC per year of service. These disability benefit amounts are actuarially reduced for each year that the member's age is less than

65, and to reflect the choice of a survivor option. There is no cap on years of service credit, and a cost-of-living allowance is granted (based on the Consumer Price Index) capped at 3 percent annually.

PERS Plan 2 and Plan 3 members may have up to ten years of interruptive military service credit; five years at no cost and five years that may be purchased by paying the required contributions. PERS Plan 2 and Plan 3 members who become totally incapacitated for continued employment while serving the uniformed services, or a surviving spouse or eligible child(ren), may request interruptive military service credit. PERS Plan 2 and Plan 3 members can purchase up to 24 months of service credit lost because of an on-the-job injury.

PERS members may also purchase up to five years of additional service credit once eligible for retirement. This credit can only be purchased at the time of retirement and can be used only to provide the member with a monthly annuity that is paid in addition to the member's retirement benefit.

Beneficiaries of a PERS Plan 2 or Plan 3 member with ten years of service who is killed in the course of employment receive retirement benefits without actuarial reduction. This provision applies to any member killed in the course of employment, on or after June 10, 2004, if found eligible by the Director of the Department of Labor and Industries.

A one-time duty-related death benefit is provided to the estate (or duly designated nominee) of a PERS member who dies in the line of service as a result of injuries sustained in the course of employment, or if the death resulted from an occupational disease or infection that arose naturally and proximately out of the member's covered employment, if found eligible by the Department of Labor and Industries.

There are 1,184 participating employers in PERS. Membership in PERS consisted of the following as of the latest actuarial valuation date for the plans of June 30, 2011:

Retirees and beneficiaries receiving benefits	\$79,363
Terminated plan members entitled to but not yet receiving benefits	29,925
Active plan members vested	105,578
Active plan members non-vested	46,839
Total	\$261,705

Funding Policy

Each biennium, the state Pension Funding Council adopts PERS Plan 1 employer contribution rates, PERS Plan 2 employer and employee contribution rates, and PERS Plan 3 employer contribution rates. Employee contribution rates for Plan 1 are established by statute at 6 percent for state agencies and local government unit employees, and at 7.5 percent for state government elected officials. The employer and employee contribution rates for Plan 2 and the employer contribution rate for Plan 3 are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. Under PERS Plan 3, employer contributions finance the defined benefit

portion of the plan and member contributions finance the defined contribution portion. The Plan 3 employee contribution rates range from 5 percent to 15 percent, based on member choice. Two of the options are graduated rates dependent on the employee's age.

The methods used to determine the contribution requirements are established under state statute in accordance with Chapters 41.40 and 41.45 RCW. The required contribution rates expressed as a percentage of current-year covered payroll, as of December 31, 2012, are as follows:

	PERS Plan 1	PERS Plan 2	PERS Plan 3
Employer*	7.21%**	7.21%**	7.21%***
Employee	6.00%****	4.64%****	*****

*The employer rates include the employer administrative expense fee currently set at 0.16%.

**The employer rate for state elected officials is 10.74% for Plan 1 and 7.21% for Plan 2 and Plan 3.

***Plan 3 defined benefit portion only.

****The employee rate for state elected officials is 7.50% for Plan 1 and 4.64% for Plan 2.

*****Variable from 5.0% minimum to 15.0% maximum based on rate selected by the PERS 3 member.

Both the City of Walla Walla and the employees made the required contributions. The City required contributions for the years ended December 31 were as follows:

Year	PERS Plan 1	PERS Plan 2	PERS Plan 3,
2012	\$12,077	\$569,397	\$81,787
2011	\$12,491	\$481,974	\$68,127
2010	\$16,059	\$461,152	\$58,616

Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF) Plans 1 and 2

The current Actuarial Valuation of Firefighters' Pension Fund for the City of Walla Walla was provided by Milliman, Inc. effective January 1, 2012. For more details on the contents of the report please see "Local Governments Pension Trust Funds" and "Other Post Employment Benefits" sections below. A copy of this report can be obtained from the City Clerk's office.

Plan Description

LEOFF was established in 1970 by the Legislature. Membership includes all full-time, fully compensated, local law enforcement commissioned officers, firefighters and, as of July 24, 2005, emergency medical technicians. LEOFF membership is comprised primarily of non-state employees, with Department of Fish and Wildlife enforcement officers, who were first included prospectively effective July 27, 2003, being an exception. LEOFF retirement benefit provisions are established in Chapter 41.26 RCW and may be amended only by the State Legislature. LEOFF is a cost-sharing multiple-employer retirement system comprised of two separate defined benefit plans. LEOFF members who joined the system by September 30, 1977 are Plan 1 members. Those who joined on or after October 1, 1977 are Plan 2 members. Effective July 1, 2003, the LEOFF Plan 2 Retirement Board was established by Initiative 790 to provide governance of LEOFF Plan 2. The Board's duties include adopting contribution rates and recommending policy changes to the Legislature.

LEOFF retirement benefits are financed from a combination of investment earnings, employer and employee contributions, and a special funding situation in which the state pays through state legislative appropriations. Employee contributions to the LEOFF Plan 1 and Plan 2 defined benefit plans accrue interest at a rate specified by the Director of DRS. During DRS' fiscal year 2012, the rate was five and one-half percent compounded quarterly. Members in LEOFF Plan 1 and Plan 2 can elect to withdraw total employee contributions and interest earnings upon separation from LEOFF-covered employment.

LEOFF Plan 1 members are vested after the completion of five years of eligible service. Plan 1 members are eligible for retirement with five years of service at the age of 50. The benefit per year of service calculated as a percent of final average salary (FAS) is as follows:

Term of Service	Percent of Final Average Salary
20 or more years	2.00%
10 but less than 20 years	1.50%
5 but less than 10 years	1.00%

The FAS is the basic monthly salary received at the time of retirement, provided a member has held the same position or rank for 12 months preceding the date of retirement. Otherwise, it is the average of the highest consecutive 24 months' salary within the last 10 years of service. A cost-of-living allowance is granted (based on the Consumer Price Index).

LEOFF Plan 1 provides death and disability benefits. Death benefits for survivors of Plan 1 members on active duty consist of the following: (1) If eligible spouse, 50 percent of the FAS, plus 5 percent of FAS for each eligible surviving child, with a limitation on the combined benefit of 60 percent of the FAS; or (2) If no eligible spouse, eligible children receive 30 percent of FAS for the first child plus 10 percent for each additional child, subject to a 60 percent limitation of FAS, divided equally. A one-time duty-related death benefit is provided to the estate (or duly designated nominee) of a LEOFF Plan 1 member who dies as a result of injuries or illness sustained in the course of employment, or if the death resulted from an occupational disease or infection that arose naturally and proximately out of the member's covered employment, if found eligible by the Department of Labor and Industries.

The LEOFF Plan 1 disability allowance is 50 percent of the FAS plus 5 percent for each child up to a maximum of 60 percent. Upon recovery from disability before the age of 50, a member is restored to service with full credit for service while disabled. Upon recovery after the age of 50, the benefit continues as the greater of the member's disability benefit or service retirement benefit.

LEOFF Plan 1 members may purchase up to five years of additional service credit once eligible for retirement. This credit can only be purchased at the time of retirement and can be used only to provide the member with a monthly annuity that is paid in addition to the member's benefit.

LEOFF Plan 2 members are vested after the completion of five years of eligible service. Plan 2 members are eligible for retirement at the age of 53 with five years of service, or at age 50 with 20 years of service. Plan 2 members receive a benefit of 2 percent of the FAS per year of service (the FAS is based on the highest consecutive 60 months), actuarially reduced to reflect the choice of a

survivor option. Members who retire prior to the age of 53 receive reduced benefits. If the member has at least 20 years of service and is age 50, the reduction is 3 percent for each year prior to age 53. Otherwise, the benefits are actuarially reduced for each year prior to age 53. A cost-of-living allowance is granted (based on the Consumer Price Index), capped at 3 percent annually.

LEOFF Plan 2 provides disability benefits. There is no minimum amount of service credit required for eligibility. The Plan 2 benefit amount is 2 percent of the FAS for each year of service. Benefits are reduced to reflect the choice of survivor option and for each year that the member's age is less than 53, unless the disability is duty-related. If the member has at least 20 years of service and is age 50, the reduction is 3 percent for each year prior to age 53. A disability benefit equal to 70 percent of their FAS, subject to offsets for workers' compensation and Social Security disability benefits received, is also available to those LEOFF Plan 2 members who are catastrophically disabled in the line of duty and incapable of future substantial gainful employment in any capacity. Effective June 2010, benefits to LEOFF Plan 2 members who are catastrophically disabled include payment of eligible health care insurance premiums. Members of LEOFF Plan 2 who leave service because of a line of duty disability are allowed to withdraw 150 percent of accumulated member contributions. This withdrawal benefit is not subject to federal income tax. Alternatively, members of LEOFF Plan 2 who leave service because of a line of duty disability may be eligible to receive a retirement benefit of at least 10 percent of FAS and 2 percent per year of service beyond five years. The first 10 percent of the FAS is not subject to federal income tax.

LEOFF Plan 2 retirees may return to work in an eligible position covered by another retirement system, choose membership in that system and suspend their pension benefits, or not choose membership and continue receiving pension benefits without interruption.

LEOFF Plan 2 members who apply for retirement may purchase up to five years of additional service credit. The cost of this credit is the actuarial equivalent of the resulting increase in the member's benefit. LEOFF Plan 2 members can receive service credit for military service that interrupts employment. Additionally, LEOFF Plan 2 members who become totally incapacitated for continued employment while serving in the uniformed services, or a surviving spouse or eligible child(ren), may request interruptive military service credit. LEOFF Plan 2 members may also purchase up to 24 consecutive months of service credit for each period of temporary duty disability.

Beneficiaries of a LEOFF Plan 2 member who is killed in the course of employment receive retirement benefits without actuarial reduction, if found eligible by the Director of the Department of Labor and Industries. Benefits to eligible surviving spouses and dependent children of LEOFF Plan 2 members killed in the course of employment include the payment of on-going health care insurance premiums paid to the Washington State Health Care Authority.

A one-time, duty-related death benefit is provided to the estate (or duly designated nominee) of a LEOFF Plan 2 member who dies as a result of injuries or illness sustained in the course of employment, or if the death resulted from an occupational disease or infection that arose naturally and proximately out of the member's covered employment, if found eligible by the Department of Labor and Industries.

Legislation passed in 2009 provides to the Washington-state-registered domestic partners of LEOFF Plan 2 members the same treatment as married spouses, to the extent that the treatment is not in conflict with federal laws.

There are 373 participating employers in LEOFF. Membership in LEOFF consisted of the following as of the latest actuarial valuation date for the plans of June 30, 2011:

Retirees and beneficiaries receiving benefits	\$9,947
Terminated plan members entitled to but not yet receiving benefits	656
Active plan members vested	13,942
Active plan members non-vested	3,113
Total	\$27,658

Funding Policy

Employer and employee contribution rates are developed by the Office of the State Actuary to fully fund the plans. Starting on July 1, 2000, Plan 1 employers and employees contribute zero percent as long as the plan remains fully funded. Plan 2 employers and employees are required to pay at the level adopted by the LEOFF Plan 2 Retirement Board. The Legislature, by means of a special funding arrangement, appropriates money from the state General Fund to supplement the current service liability and fund the prior service costs of Plan 2 in accordance with the recommendations of the Pension Funding Council and the LEOFF Plan 2 Retirement Board. However, this special funding situation is not mandated by the state constitution and this funding requirement could be returned to the employers by a change of statute. For DRS' fiscal year 2012, the state contributed \$52.8 million to LEOFF Plan 2.

The methods used to determine the contribution requirements are established under state statute in accordance with Chapters 41.26 and 41.45 RCW. The required contribution rates expressed as a percentage of current-year covered payroll, as of December 31, 2012, are as follows:

	LEOFF Plan 1	LEOFF Plan 2
Employer*	0.16%	5.24%
Employee	0.00%	8.46%
State	N/A	3.38%

*The employer rates include the employer administrative expense fee currently set at 0.16%.

Both the City of Walla Walla and the employees made the required contributions. The City of Walla Walla's required contributions for the years ending December 31 were as follows:

	LEOFF Plan 1	LEOFF Plan 2
2012	\$49	\$389,160
2011	\$273	\$383,983
2010	\$559	\$388,838

Local Governments Pension Trust Funds

Plan description

The City of Walla Walla administers the Firefighter Pension Fund, reflected as a trust fund in the City of Walla Walla financial reports. There is no stand alone financial report for the plan. The Firefighters' Pension Fund is a closed, small, single-employer defined benefit plan established in conformance with RCW 41.26. Members do not make contributions. The actuarial cost method is the entry age normal cost method. The amortization period is the level dollar method for 20 year closed beginning January 1, 2008, with 15 years remaining. The current actuarial valuation of Firefighters' Pension Fund for the City of Walla Walla was provided by Milliman, Inc. effective January 1, 2012. A copy of the actuarial valuation can be obtained from the City Clerk's office.

No new employees have been covered by the plan since March 1, 1970. Pension obligations for firefighters retired since March 1, 1970, have been assumed by LEOFF (except for certain minimal benefits in excess of the LEOFF benefits). The City's liability under the Firefighter's pension plan is limited to benefits for covered firefighters retired prior to March 1, 1970 and excess benefits over LEOFF I for firefighters retired after March 1, 1970.

Firefighters' pension plan members are eligible for retirement after completion of service for a period of 5 years or more and attainment of age 50. A member is eligible for disability benefits if disabled for a minimum of 6 months. An individual becomes vested after 5 years of service. Since no new employees have been covered under this system since 1970, all employees are fully vested.

The Firefighters' Pension Fund makes two types of payments:

- Pensions to eligible members retired prior to March 1, 1970, or deceased members' spouses.
- Amounts to certain eligible members retired after that date if the amount received from LEOFF does not equal or exceed the amount entitled from the prior pension fund.

Benefits are calculated based on length of service (a percentage for each year of service) and on the final average salary (calculated over the last two years of credited service). No changes were made to benefit provisions in the current year.

Firefighters' Pension Fund Covered Individuals

Single Employer – Closed Plan

January 1, 2012*

Firefighters retired	14
Firefighters disabled in the line of duty	13
Firefighters disabled not in the line of duty	5
Survivors of firefighters	8
Total covered individuals	40

*Date of latest actuarial valuation

Summary of significant accounting policies

The financial statements are prepared using the accrual basis of accounting. Employer contributions are recognized as revenues in the period due and the City has made a commitment to provide the contributions. Expenses are recorded when due and payable in accordance with terms of the plan.

Contributions and reserves

The Firefighter's Pension Fund has four revenue sources. The fire insurance premium tax is a dedicated source of revenue as authorized by RCW 41.16.050 and amounted to \$40,451 in 2012. The City's general fund and ambulance funds contributed \$254,226 and \$18,464, respectively, in 2012. Interest from pooled cash and investments provides minimal income and was \$214 in 2012.

Funding status and progress

The Firefighter's Pension Fund has been operating on a pay-as-you-go basis. Actuarial valuation of the fund is performed every two years, with the most recent valuation performed on January 1, 2012. While assumptions are made regarding mortality, inflation, and wage rates, the City uses a projected cash flow rather than an actuarial funding plan to liquidate unfunded liabilities. This projection is used to budget annual amounts to transfer to the fund for benefits. The Annual Required Contribution (ARC) is computed using the entry age normal cost method. The amortization method is the level dollar method for a 20 year closed plan beginning January 1, 2008, with 15 years remaining at December 31, 2012. Projected benefits are allocated on a level basis as a percentage of salary over the earnings of each individual between entry age and assumed exit age. The amount allocated to each year is called the Normal Cost and the portion of the Actuarial Present Value of benefits not provided for by future Normal Cost payments is called the Actuarial Accrued Liability.

Actuarial assumptions involving investment earnings and salary growth have been determined in accordance with the recommendation of the system's retained actuary. Designed to reduce short-term volatility, actuarial valuations of an ongoing plan involve estimates and assumptions about the probability of occurrence of events far into the future. Under LEOFF, the benefit is adjusted after retirement in proportion to the change in the Consumer Price Index (CPI). The following assumptions are used in the most current study:

- 4.0% return on present and future assets
- 3.75% per year salary inflation
- CPI increases of 2.75% per year

Schedule of Funding Progress

Pension Benefits (\$ in thousands)

	Actuarial	Actuarial	Unfunded	Funded	Covered	UAAL as a
	Value of	Accrued	Actuarial Accrued	Ratio	Payroll	Percentage of
<u>Valuation Date</u>	<u>Assets</u>	<u>Liabilities</u>	<u>Liabilities (UAAL)</u>			<u>Covered Payroll</u>
January 1, 2008	\$186	\$3,884	\$3,698	5%	\$0	N/A
January 1, 2010	\$166	\$3,695	\$3,529	4%	\$0	N/A
January 1, 2012	\$62	\$3,577	\$3,515	2%	\$0	N/A

Schedule of Employer Contributions

<u>Fiscal Year Ending</u>	<u>Employer Contributions</u>	<u>Fire Insurance Premiums</u>	<u>Total Employer Contributions</u>	<u>Annual Required Contribution (ARC)</u>	<u>Percentage of ARC Contributed</u>
December 31, 2008	\$256,620	\$40,054	\$296,674	\$296,674	100%
December 31, 2009	\$296,300	\$38,193	\$334,493	\$296,674	113%
December 31, 2010	\$142,505	\$40,669	\$183,174	\$278,778	66%
December 31, 2011	\$257,940	\$42,480	\$300,420	\$278,778	108%
December 31, 2012	\$272,690	\$40,451	\$313,141	\$301,626	104%

(2008 is the first year of data available.)

Annual Pension Cost and Net Pension Obligation

<u>Annual Required Contribution (ARC)</u>	<u>Fiscal Year Ending 12/31/2012</u>
1. Annual Normal Cost, beginning of year	-
2. Amortization of UAAL, beginning of year	\$290,025
3. Interest to end of year	<u>11,601</u>
4. ARC, end of year	301,626
5. Interest on NPO	1,408
6. Adjustment to ARC	(2,904)
7. Annual pension cost	300,130
8. Employer contributions	<u>(313,141)</u>
9. Change in NPO	(13,011)
10. NPO, beginning of year	<u>35,195</u>
11. NPO, end of year	\$22,184

Trend Information

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Contribution as a Percentage of APC</u>	<u>Net Pension Obligation (NPO)</u>
December 31, 2008	\$296,674	100%	\$0
December 31, 2009	\$296,674	113%	(\$37,819)
December 31, 2010	\$280,138	65%	\$59,145
December 31, 2011	\$278,778	108%	\$37,503
December 31, 2012	\$300,130	104%	\$22,184

(2008 is the first year of data available.)

Annual Development of Pension Cost

<u>Fiscal Year Ending</u>	<u>Arc at EOY</u>	<u>Interest On NPO</u>	<u>Arc Adjust</u>	<u>Annual Pension Cost (APC)</u>	<u>Total Employer Contributions</u>	<u>Change in NPO</u>	<u>NPO Balance</u>	<u>(Gain)/ Loss</u>	<u>Amort. Factor @ 20 years</u>	<u>Amort. (Gain)/ Loss</u>	<u>Ending Balance</u>
12/31/2010	\$278,778	(\$1,513)	\$2,873	\$280,138	\$183,174	\$96,965	\$59,145	\$95,605	13.1657	(\$2,873)	\$59,145
12/31/2011	\$278,778	-	-	\$278,778	\$300,420	(\$21,642)	\$37,503	(\$21,642)	13.1657	\$4,492	\$37,503
12/31/2012	\$301,626	\$1,408	(\$2,904)	\$300,130	\$313,141	(\$13,011)	\$22,184	(\$11,515)	12.1184	\$2,904	\$22,184

NOTE 8 – RISK MANAGEMENT

The City of Walla Walla maintains insurance against most normal hazards except for general liability, health insurance, and workers compensation, where it has elected to become partially insured. The City of Walla Walla is a member of the Washington Cities Insurance Authority (WCIA). Per chapter

48.62 RCW (self-insurance regulation) and chapter 39.34 RCW (Interlocal Cooperation Act), nine cities originally formed WCIA on January 1, 1981. WCIA was created for the purpose of providing a pooling mechanism for jointly purchasing insurance, jointly self-insuring, and/or jointly contracting for risk management services. WCIA has over 150 member municipalities.

Members pay an annual assessment each year. New members cannot withdraw from the membership upon initially joining for a period of three years. Following the initial three year period, a one-year withdrawal notice is required before membership can be terminated. Termination does not relieve a former member from its unresolved loss history incurred during membership.

Liability coverage is written on an occurrence basis, without deductibles. Coverage includes general, automobile, police, public officials' errors or omissions, stop gap, and employee benefits liability. Limits are \$4 million per occurrence self-insured layer, and \$16 million per occurrence in the re-insured excess layer. The excess layer is insured by the purchase of reinsurance and insurance and is subject to aggregate limits. Total limits are \$20 million per occurrence subject to aggregate sublimits in the excess layers. The Board of Directors determines the limits and terms of coverage annually.

Insurance coverage for property, automobile physical damage, fidelity, inland marine, and boiler and machinery are purchased on a group basis. Deductibles apply by type of coverage. Property insurance and auto physical damage are self-funded from the WCIA up to a \$750,000 deductible for all perils other than flood and earthquake, and insured above \$750,000 by purchase of insurance.

In-house services include risk management consultation, loss control field services, claims and litigation administration, and loss analyses. WCIA contracts for the claims investigation consultants for personnel issues and land use problems, insurance brokerage, and lobbyist services. WCIA is fully funded by members who make annual assessments on a prospectively rated basis determined by an outside, independent actuary. The assessment covers loss, loss adjustment, and administrative expenses. In the interlocal agreement, WCIA retains the right to additionally assess the membership for any funding shortfall. An investment committee, using investment brokers, produces additional revenue by investment of WCIA's assets in financial instruments which comply with all State guidelines. A Board of Directors governs WCIA, which is comprised of one designated representative from each member. The Board elects an Executive Committee and appoints a Treasurer to provide general policy direction. The WCIA Executive Director reports to the Executive Committee and is responsible for conducting the WCIA day to day operations.

Matrix Absence Management, Inc. manages the workers' compensation claims. Self-insurance is in effect for losses up to \$500,000 per occurrence. Those in excess of \$500,000 per occurrence or an aggregate of \$995,933 are insured by private insurance companies up to \$1,000,000 for aggregate claims and statutory for specific per occurrence claims.

Claims are processed by Matrix Absence Management and reviewed by the City administration for verification. Based on the claims manager estimates, the City's estimated liability for probable losses at December 31, 2012 is \$159,613 for the workers compensation program. The state requires \$100,000 be set aside in cash reserves for protection for the workers compensation fund. The City

met this requirement. The fund's average monthly cash balance for 2012 was \$352,352. No reserves were necessary at year end as claims are estimated to fall below funded levels.

Workers compensation claim settlement and loss expenses are accrued in the Industrial Insurance Fund for the estimated settlement value of both reported and unreported claims up to the aggregate stop loss. This fund is responsible for collecting interfund premiums from insured funds and departments, for paying claim settlements and for purchasing certain excess insurance policies. Interfund premiums for workers compensation are assessed on the number of employees and the average claims over the last three years and reported as revenues and expenses.

	Year ended 12/31/2011	Year ended 12/31/2012
Unpaid claims, beginning of fiscal year	\$ 196,241	\$ 184,815
Incurred claims (including IBNRs)	44,686	69,303
Changes in estimate for claims, prior period	43,985	(39,610)
Payments on claims	(100,097)	(54,895)
Unpaid claims, end of fiscal year	<u>\$ 184,815</u>	<u>\$ 159,613</u>

NOTE 10 – LONG-TERM DEBT

Governmental Debt

The City issues general obligation bonds to finance the acquisition and construction of major capital facilities. General obligation bonds have been issued for both general government and business-type activities and are being repaid and reported from the applicable resources. Standard and Poor's has assigned the following ratings for the City: Limited Tax General Obligation – A+ as of May 2010; Unlimited Tax General Obligation Bonds – A+ as of November 2009. Moody's Investors Service has assigned the following ratings for the City as of April 2010: Limited Tax General Obligation Bonds – A1; Unlimited Tax General Obligation Bonds – Aa3.

Title	Purpose	Interest Rate	Original	Outstanding
1996 GO Bond Deferred Series B	Service center construction	5.30%-6.25%	\$1,291,550	\$255,965
2004 GO Bond Fire Station	Fire station construction	2.50%-4.10%	4,500,000	3,035,000
2005 GO Bond Street Construction	Isaacs street improvements	3.125%-4.5%	300,000	212,432
2009 GO Bond Police Station	Police station construction	3.25%-4.375%	11,595,000	10,530,000
2010 GO Bond Fire Truck	Fire truck acquisition	3.00%-5.00%	845,000	750,000
2010 GO Refunding Bond	Refund callable LTGO 2001	3.00%-5.00%	415,000	315,000
Total General Obligation Bonds			\$18,946,550	\$15,098,397

The annual debt service requirements to maturity are as follows:

Year Ending 12/31/2012	Governmental Activities	
	Interest	Principal
2013	\$ 753,076	\$ 876,478
2014	730,973	910,307
2015	702,511	932,964
2016	487,610	786,216
2017	459,652	821,216
2018-2022	1,817,446	4,732,432
2023-2027	900,362	4,248,784
2028-2032	118,563	1,790,000
Total	\$ 5,970,193	\$ 15,098,397

Business Debt

The City issues revenue bonds to finance acquisition and construction of major capital facilities. The revenue bonds are repaid by proprietary fund revenues. General obligation bond proceeds utilized by Golf Course, Landfill, and Water/Wastewater activities are expected to be repaid by the revenues generated from those enterprise activities and have been included as revenue bonds in the business debt. The City also issues bonds where the government pledges 100% of water and wastewater fund revenue. Total water and wastewater pledged revenues in 2012 were \$11,022,425 and total debt service collateralized was \$7,094,668. Standard and Poor's has affirmed an A+ rating for the City's water and wastewater revenue bonds as of April 2012.

Title	Purpose	Interest Rate	Original	Outstanding
Water/Wastewater Revenue Bond 2002	Capital construction	3.00%-4.25%	\$11,720,000	\$0
Water/Wastewater Revenue Bond 2005	Capital construction	3.00%-4.25%	12,595,000	11,510,000
Landfill Revenue Bond 2005	Capital construction	3.13%	3,073,000	1,762,692
Golf Course Revenue Bond 2005	Capital construction	3.13%	367,000	259,876
Water/Wastewater Revenue 2010 Bond	Capital construction	3.00%-5.00%	8,105,000	5,215,000
Landfill Revenue 2010 Bond	Capital construction	3.00%-5.00%	2,805,000	2,590,000
97-78897-038 Loan Water	Capital construction	1.00%	1,030,000	325,263
L9900019A Loan Wastewater	Capital construction	4.10%	14,220,127	6,687,645
PW-99-791-038 Loan Wastewater	Capital construction	1.00%	7,000,000	2,610,289
PW-02-691-060 Loan Wastewater	Capital construction	0.50%	5,159,197	2,781,742
PW-06-962-PRE-103 Loan Wastewater	Capital construction	1.00%	531,399	391,557
PW-07-962-018 Loan Wastewater	Capital construction	1.00%	6,823,104	5,400,217
Total Revenue Bonds & Notes			\$73,428,827	\$39,534,281

The annual debt service requirements to maturity are as follows:

Year Ending 12/31/2012	Business-Type Activities	
	Interest	Principal
2013	\$ 1,241,991	\$ 6,107,214
2014	1,021,669	5,784,460
2015	816,040	6,738,043
2016	562,238	4,751,396
2017	410,656	4,902,819
2018-2022	729,939	8,002,187
2023-2027	240,926	2,858,162
2028-2032	23,600	390,000
Total	\$ 5,047,059	\$ 39,534,281

NOTE 11 - LEASES

A. Operating leases

The City leases a building, office equipment and other equipment under non-cancelable operating leases. Total costs for such leases were \$84,485 for the year ended December 31, 2012. The future minimum lease payments for these leases are as follows:

Year Ending 12/31/2012	Amount
2013	\$ 39,239
2014	24,390
2015	14,143
2016	10,631
2017	9,100
2018-2022	28,317
Total	\$ 125,820

NOTE 12 – CHANGES IN LONG-TERM LIABILITIES

Long-term liability activity is reported by governmental activities and business-type activities, as applicable. Long-term liability activity for governmental activities for the fiscal year 2012:

Governmental Activities	Beginning			Ending	
	Balance 1/1/2012	Additions	Reductions	Balance 12/31/2012	Due Within One Year
1996 GO Bonds Deferred Series B	\$ 355,957	-	\$ 99,992	\$ 255,965	\$ 91,883
2004 GO Bond Fire Station	3,250,000	-	215,000	3,035,000	225,000
2005 GO Bond Street Construction	227,027	-	14,595	212,432	14,595
2009 GO Bond Police Station	10,905,000	-	375,000	10,530,000	395,000
2009 GO Bond Premiums	114,109	-	6,339	107,770	6,339
2010 GO & Refunding Bond Series	1,215,000	-	150,000	1,065,000	150,000
2010 GO Bond Premiums	46,421	-	9,396	37,025	9,396
General Obligation Bonds	16,113,514	-	870,322	15,243,192	892,213
Compensated Absences	1,714,242	1,425,761	1,317,238	1,822,765	1,317,238
Workers Compensation Claims	184,815	69,303	94,505	159,613	20,819
Net Pension Obligation	37,504	297,821	313,141	22,184	-
Net OPEB Obligation	1,764,975	1,489,894	1,176,266	2,078,603	-
Government Liabilities	\$19,815,050	\$3,282,779	\$3,771,472	\$19,326,357	\$2,230,270

Long-term liability activity for business-type activities for the fiscal year 2012:

Business Activities	Beginning Balance 1/1/2012	Additions	Reductions	Ending Balance 12/31/2012	Due Within One Year
Water Bond 2002	\$ 2,055,000	-	\$ 2,055,000	\$ 0	\$ 0
Water Bond 2005	10,800,000	-	75,000	10,725,000	1,985,000
Water Bond 2010	3,242,400	-	739,200	2,503,200	847,200
Total Water	16,097,400	-	2,869,200	13,228,200	2,832,200
Wastewater Bond 2002	235,000	-	235,000	-	-
Wastewater Bond 2005	925,000	-	140,000	785,000	145,000
Wastewater Bond 2010	3,512,600	-	800,800	2,711,800	917,800
Total Wastewater	4,672,600	-	1,175,800	3,496,800	1,062,800
Landfill Bond 2005	1,970,243	-	207,551	1,762,692	212,551
Landfill Bond 2010	2,700,000	-	110,000	2,590,000	110,000
Total Landfill	4,670,243	-	317,551	4,352,692	322,551
Golf Course Bond 2005	277,730	-	17,854	259,876	17,854
2010 Bond Premiums	590,542	-	146,298	444,244	146,298
Business Activity Bonds	26,308,515	-	4,526,703	21,781,812	4,381,703
97-78897-038 Water	379,472	-	54,211	325,263	54,211
L9900019A Wastewater	7,435,221	-	747,577	6,687,645	778,542
PW-99-791-038 Wastewater	2,983,188	-	372,898	2,610,289	372,898
PW-02-691-060 Wastewater	3,059,917	-	278,174	2,781,742	278,174
PW-06-962-PRE-103 Wastewater	419,527	-	27,968	391,557	27,968
PW-07-962-018 Wastewater	5,760,232	-	360,014	5,500,217	360,014
Loans	20,037,557	-	1,840,843	18,196,713	1,871,808
Landfill Closure	1,491,190	1,929,514	-	3,420,704	-
Pollution Remediation	1,923,487	1,007,663	592,584	2,338,566	293,672
Compensated Absences	539,114	415,278	464,136	490,256	416,018
Business Activity Liabilities	\$50,299,862	\$3,352,455	\$7,424,266	\$46,228,050	\$6,963,201

NOTE 13 – CONTINGENCIES AND LITIGATIONS

The City's financial statements include all material liabilities. There are no material contingent liabilities to record.

A former Walla Walla employee who was terminated for cause on October 7, 2010 made a public records request for certain documents related to his termination and other documents on October 14, 2010. The requestor filed an action against the City of Walla Walla claiming that the time needed for the City to review the records is unreasonable. The City disputes the action and is defending against it. While the action has been pending, the City has disclosed all additional responsive documents requested by the individual. The last installment of records was made available on May 23, 2011, and the records were picked up on June 27, 2011. No further action has been taken by the former employee in the proceeding, but it remains pending. Liability is unlikely. The City could, however, be held responsible for undetermined costs, attorney's fees, and costs if its defense is unsuccessful. The estimated maximum exposure on the present action is \$25,000. The City also reasonably anticipates that the individual may make a wrongful termination claim against the City. Such claim is presently unasserted, and any potential liability presently would be disputed. The likelihood of a favorable or unfavorable outcome in this matter cannot be evaluated at the present time.

A local business owner made claims and brought an action against Walla Walla for alleged civil rights violations arising out of enforcement of its sign code. Those claims were dismissed and resolved in favor of the City in *Catsiff v. McCarty*, 167 Wash. App. 698, 274 P.3d 1063, *review denied* 175 Wash. 2d 1016 (2012), *cert. denied* 81 U.S.L.W. 3391 (U.S. Feb. 25, 2013), but the business owner has given notice that he may attempt to assert additional claims. The City disputes those claims and will defend against them. Liability is unlikely. The City could, however, be held responsible for undetermined costs, attorney's fees, and costs if its defense is unsuccessful. The estimated maximum exposure on the claims is \$25,000.

Miscellaneous minor claims have been made against the City of Walla Walla, which have been tendered to its insurance pool WCIA. Defense and indemnification for any such claims is and will be provided by WCIA. The City reasonably anticipates that it will suffer no liability adverse to its financial condition as a result of any such claims. The estimated aggregate maximum exposure to the City on any claims defended by WCIA is no more than \$1,000.

The City participates in a number of federal- and state-assisted programs. These grants are subject to audit by the grantors or their representatives. Such audits could result in requests for reimbursement to grantor agencies for expenditures disallowed under the terms of the grants. City management believes that such disallowances, if any, will be immaterial.

NOTE 15 – INTERFUND BALANCES AND TRANSFERS

Interfund loans provide upfront, one-time funding for physical improvements from otherwise idle equipment replacement funds. The loans will be fully repaid over time from the fund receiving the physical improvement benefit and tend to be shorter-term in nature. Interfund loan balances as of December 31, 2012:

Interfund Loans						
Loan Purpose	Due in More than One Year	Non-major Special Rev.	Non-major Gov't	Landfill	Non-major Enterprise	Internal Service
Internal Service Funds						
Driving Range	\$109,565	-	-	-	\$119,029	-
LED Stoplights	120,571	157,711	-	-	-	-
Irrigation System	383,967	-	-	-	408,049	-
Landfill Area 7	947,289	-	-	1,093,236	-	-
Service Center	0	-	-	-	-	20,000
Street Light Retrofit	175,624	193,802	-	-	-	-
LID - Abadie Project	477,749	-	515,163	-	-	-
Total Interfund Loans	\$2,214,765	\$351,513	\$ 515,163	\$1,093,236	\$527,078	\$20,000

Transfers between funds during the year ended December 31, 2012 are as follows:

Transfers	Transfers To:							Transfers From:
	General Fund	Street/TBD CIP	General CIP	Non-Major Gov't	Water/Wastewater	Other Enterprise	Internal Service	
General Fund	-	\$23,791	\$29,301	\$543,977	-	\$37,600	-	\$634,669
Street CIP	8,928	-	-	-	265,890	-	-	274,818
General CIP	14,758	-	-	-	-	-	-	14,758
Non-Major Gov't	209,249	87,949	-	289,769	-	-	69,595	656,562
Water/Wastewater	-	774,223	-	-	-	116,881	-	891,104
Sanitation	37,960	-	-	-	-	-	-	37,960
Non-Major Ent.	-	-	-	-	44,831	44,585	-	89,416
Internal Services	69,269	-	-	-	-	-	-	69,269
Transfers From:	\$340,164	\$ 885,963	\$29,301	\$ 833,746	\$310,721	\$199,066	\$69,595	\$2,668,556

Transfers between funds are used to 1) move revenues from the fund with the collection authorization to the debt service fund as debt service principal and interest payments become due, 2) move restricted amounts from borrowings to the debt service fund to establish mandatory reserve accounts, 3) move unrestricted general fund revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts provided as subsidies or matching funds for various grant programs and funding street construction projects, 4) move amounts between funds to finance construction projects in accordance with the City's construction budget and 5) transfer excess proceeds from finished construction projects back to the contributing funds.

NOTE 16 – RECEIVABLE AND PAYABLE BALANCES

Other receivables include customer accounts receivable, interest receivable, and grants receivable. Accrued interest receivable consists of amounts earned on investments, notes, and contracts at the end of the year. Accrued grants receivable relate to qualified expenditures made prior to the end of the year.

Other Receivables. As of December 31, 2012 the City's individual major funds and non-major enterprise funds receivable balances include the applicable allowances for uncollectible accounts as follows:

Other Receivables											
	General	Major CIP	Nonmajor Gov't	Internal Serv Gov	Sanitation	Water/ Wstwr	Landfill	Amb	Nonmajor Ent	Internal Serv Bus	Total
Accts recvbl	\$508,278	\$791,983	\$102,459	\$161,562	\$295,140	\$1,302,470	\$447,996	\$379,175	\$153,612	\$52,480	\$4,195,155
Accrued int	-	-	-	-	-	72,870	-	-	-	-	72,870
Total	\$508,278	\$791,983	\$102,459	\$161,562	\$295,140	\$1,375,340	\$447,996	\$379,175	\$153,612	\$52,480	\$4,268,025

Receivables for the Ambulance Fund are reported net of allowance for uncollectible accounts. Using historical collection rates, it is estimated that 45% of the receivables or \$301,343 at December 31, 2012 will ultimately prove uncollectible for the Ambulance Fund.

NOTE 19 – OTHER POST-EMPLOYMENT BENEFIT (OPEB) PLANS

Plan Description

The City of Walla Walla Health Plan (the Health Plan) is a single-employer defined-benefit healthcare plan administered by the City of Walla Walla Law Enforcement Officers and Fire Fighters Disability Board in accordance with RCW 41.26: *Law enforcement officers' and firefighters' retirement system*. The Health Plan provides medical, prescription drug, vision, and other unreimbursed medical benefits to eligible retirees. We have used the alternative measurement method permitted under GASB 45 to determine the ARC. The Health Plan does not issue a separate stand-alone financial report. The plan covers 61 retirees.

Funding Policy

The LEOFF 1 medical benefit requirements are established by RCW 41.26.150(1) with local disability boards administering the LEOFF 1 medical service expenses. LEOFF 1 retirees are not required to contribute to the Health Plan. Amounts contributed in 2012, 2011, and 2010 were \$696,080,

\$628,240, and \$688,500 respectively. The City's contribution was to fund "pay-as-you-go" costs under the Health Plan and not to pre-fund benefits.

Annual OPEB Cost and Net OPEB Obligation

The basis for the City's annual OPEB cost (expense) is the annual required contribution (ARC), which represents a level of funding, if paid on an ongoing basis, which will cover normal costs each year and amortize unfunded actuarial liabilities (or funding excess) over a period not to exceed twenty years. The components of the City's annual OPEB cost, the estimated amount contributed to the Health Plan, and the changes in the City's net OPEB obligation to the Health Plan for the year ended December 31, 2012:

Amortization of unfunded actuarial accrued liability	<u>\$1,410,470</u>
Annual required contribution (ARC)	1,410,470
Interest on net OPEB obligation	79,424
Adjustment to ARC	<u>(164,344)</u>
Annual OPEB cost (expense)	1,325,550
Employer contributions	<u>(1,011,922)</u>
Change in net OPEB obligation	(313,628)
Net OPEB obligation, beginning of year	<u>1,764,975</u>
Net OPEB obligation, end of year	<u>\$2,078,603</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the Health Plan, and the net OPEB obligation follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
12/31/2010	\$1,410,372	48.8%	\$1,832,839
12/31/2011	\$1,256,807	76.5%	\$1,764,975
12/31/2012	\$1,325,550	76.3%	\$2,078,603

Funded Status and Funding Progress

The funded status of the Health Plan as of December 31, 2012 is shown below:

Actuarial accrued liability (AAL)	\$15,147,809
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	15,147,809
Funded ratio (actuarial value of plan assets ÷ AAL)	0%
Covered payroll	62,945
UAAL as a percentage of covered payroll	24065%

Actuarial methods and assumptions

The City used the alternative measurement method permitted under GASB Statement No. 45. A single retirement age of 56.24 was assumed for all active members for the purpose of determining the AAL and normal cost. Retirement, disablement, termination, and mortality rates were assumed to follow the LEOFF 1 rates used in the June 30, 2009 actuarial valuation report issued by the Office

of the State Actuary (OSA). Healthcare costs and trends were determined by Milliman and used by OSA in the state-wide LEOFF 1 medical study performed in 2011. The results were based on grouped data with 4 active groupings and 4 inactive groupings. The actuarial cost method used to determine the AAL was Projected Unit Credit. The AAL and NOO are amortized on an open basis as a level dollar over 15 years.

Actuarial methods and assumptions include techniques designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Actuarial valuations of an ongoing plan involve estimates and assumptions about the probability of occurrence of events far into the future. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. These assumptions are individually and collectively reasonable for the purposes of this valuation. The assumptions included are as follows: Return on investment earnings 4%, consumer price index 2.75%, and general salary increases (due to inflation) excluding longevity, merit, or step increases 3.75%.

REQUIRED SUPPLEMENTARY INFORMATION
Schedule of Funding Progress for the Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a÷b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)÷c)
12/31/2010	-	\$ 15,403,960	\$15,403,960	0.0%	\$411,735	3741%
12/31/2011	-	\$14,426,092	\$14,426,092	0.0%	\$280,572	5142%
12/31/2012	-	\$15,147,809	\$15,147,809	0.0%	\$62,945	24065%

Pension and Other Post Employment Benefit Financial Statements

Pension and Other Employee Benefit Trust Funds

Statement of Net Position

December 31, 2012

	Fire Other Benefits	Fire Pension Benefits	Pension & Other Employee Benefits
Cash and equivalents	\$ 224,330	\$ 128,535	\$ 352,865
Total assets	224,330	128,535	352,865
Accounts payable	2,006	-	2,006
Other accrued liabilities	-	20,354	20,354
Total liabilities	2,006	20,354	22,360
Net position held in trust for pension and medical benefits	\$ 222,324	\$ 108,181	\$ 330,505

Pension and Medical Employee Benefit Trust Funds

Statement of Changes in Fiduciary Net Position
For the Year Ended December 31, 2012

	Fire Other Benefits	Fire Pension Benefits	Pension & Other Employee Benefits
Intergovernmental revenues	-	\$ 40,451	\$ 40,451
Employer contributions	696,080	272,690	968,770
Contributions	696,080	313,141	1,009,221
Interest on investments	411	214	625
Total additions	696,491	313,355	1,009,846
Contractual services	0	8,500	8,500
Personnel benefits	673,078	258,799	931,877
Total deductions	673,078	267,299	940,377
Change in net position	23,413	46,056	69,469
Net position, beginning of year	198,911	62,125	261,036
Net position, end of year	<u>\$ 222,324</u>	<u>\$ 108,181</u>	<u>\$ 330,505</u>

Deferred Compensation Plan

The City offers its employees two deferred compensation plans created in accordance with Internal Revenue Code Section 457. One plan is administered by the International City Managers Association's Retirement Corporation, and the second is administered by the Baker Boyer Bank Trust Department. The funds are held in trust for the participants and their beneficiaries. The plans, available to all employees, permit them to defer a portion of their salary until future years. Employees may participate with a corresponding City match of up to 3%. The deferred compensation is not available to employees until termination, retirement, death, or an unforeseeable emergency. The amounts withheld from the employee's earnings and the related matching contribution from the City are remitted to the third party administrators after each payroll and the City incurs no further liability once the funds have been remitted to the trust. According to the trust, in no event shall the City's liability to pay benefits to a participant under the plan exceed the value of the amounts credited to the participant's account; neither the City nor Administrator shall be liable for losses arising from depreciation or shrinkage in the value of any of the investments acquired under the plans.

NOTE 20 – CLOSURE AND POSTCLOSURE CARE COSTS

Background: The City of Walla Walla owns the regional municipal landfills. The Sudbury Landfill is located on 923 acres of which 175 acres are currently active and permitted for disposal of solid waste or have been used and are now closed. Area 7 is the current designated landfill area with a total of 3 cells with Cells 1 and 2 currently in use. The active area has an estimated capacity at the current fill rate of approximately 10 years. The site however, has a conceptually approved plan for Area 7, cell 3, and when Area 7 reaches capacity, a new area between Area 6 (closed in 2011) and Area 7, which has been defined as the "V" or Area 6/7. The total fill date for Area 7, cells 1-3 is projected to be in the year 2038. The fill date for Area 6/7 (the "V") is projected to be in the year 2051. The active and permitted portion has an estimated remaining life of 38 years.

Area 7 is the current designated landfill area with a total of 3 cells with Cells 1 and 2 currently in

use. Construction of this new lined site began in 2005 and was completed in February 2006. Cell 2 was constructed in 2008. Once the Area 6 capacity was reached, the City was required by State and Federal laws and regulations to cover that area and perform post-closure care as well as monitoring functions at the site in accordance with WAC 173-304.

The City of Walla Walla owns a second 97 acre landfill, designated as the Tausick Way Landfill that has been closed and no longer accepts waste. The adjacent Burdine site has been permitted as an inert waste disposal site for materials. The Tausick Way Landfill is maintained through the Landfill's operations and management budget which includes mowing, pesticide spraying, methane monitoring, and fence repair. The Tausick Way Landfill was closed in 1975 and was not subject to current closure requirements that are mandated by the Department of Ecology.

Closure and post closure costs: Although closure and post-closure care costs will be paid only near or after the date the landfill stops accepting waste in a designated area, the City must record a portion of these closure and post-closure costs each year as an expense. That expense calculation is based upon the landfill capacity used in the reported period. The City must also recognize a liability that is directly related to the cumulative capacity consumed at the landfill. As of December 31, 2012, 100% of the landfill's total capacity of Area 6 has been consumed. The latest designs for area 7 cells 1 and 2 indicate approximately 43% of the existing lined area has been filled as of December 31, 2012 based on a survey performed by USKH in August 2012 and landfill tipping records for 2012.

The City's closure and post-closure operations plan for Area 6 was approved by the Department of Ecology in 2004. This plan was prepared by a consultant and includes cost estimates for closing the landfill areas and providing for post-closure care. Area 6 was closed in 2011 with five feet of soil cover, a gas collection system, and a landfill flare. In 2008, the Department of Ecology approved a change in design concept to fill the "V" space between Area 6 and Area 7 with the understanding that a geomembrane liner will be used to construct the common side between the two areas. The installation of the geomembrane for the common side is considered a construction cost for Area 7. Due to the closure of area 6, the total long term closure and post-closure costs for Area 7 and joint portion ("V") of Area 6 and Area 7 are estimated in current dollars at \$2,687,520. As of December 31, 2012, cash of \$1,666,954 has been accumulated and set aside for estimated closure and post-closure costs. The financial assurance plan for the City has been updated. Closure and post-closure costs will be met through rate revenues and the potential for grant funding.

On March 11, 2013, a consultant for the City of Walla Walla presented an estimate for the cost of closure and post-closure for the Burdine Property. Closure costs are estimated at \$1,000,000 and post-closure costs are estimated at \$67,000 per year. Based on the consultant's estimated probabilities, the City has recorded a liability in the amount of \$753,750 for post-closure costs associated with Burdine.

As part of its budget process, the City reviews the closure and post-closure cost estimate from the landfill consultant and adjusts the liability to account for any needed adjustments based upon inflation, changes in technology, and/or changes in regulations. The total closure and post closure cost is an estimate and subject to change resulting from inflation, deflation, technology or changes in applicable laws or regulations.

NOTE 21 – TERMINATION BENEFITS

Termination benefits are determined on a case by case basis. The City of Walla Walla did not enter into any termination commitments or arrangements during fiscal year 2012.

NOTE 22 – POLLUTION REMEDIATION OBLIGATIONS

GASB Statement 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, became effective for fiscal periods beginning after December 15, 2007. GASB 49 identifies the circumstances under which a governmental entity would be required to report a liability related to pollution remediation and provides guidance on how to calculate and report the costs of obligations associated with pollution cleanup efforts.

Pursuant to GASB Statement 49, the City is reporting a \$1,493,566 liability in its landfill fund for its estimated liability due to its standing as a potentially responsible party in groundwater contamination at the Sudbury Road Landfill site. The obligation is an estimate subject to changes resulting from price increases or reductions, technology, or laws and regulations. Included as an offset to the total liability of \$2,492,090 is an amount of \$998,524 received from the Washington State Department of Ecology of a Model Toxics Control Act (MTCA) grant.

The Sudbury Road Landfill is a City-owned and operated landfill which the Washington State Department of Ecology determined required remediation in 2008 pursuant to MTCA. The City of Walla Walla entered into agreed order no. 8456 with the Washington State of Ecology in 2011. The remediation liability is calculated based on a planning-level cost estimate for remedial investigation/feasibility study, anticipated internal engineering costs, legal fees, and payments to the Department of Ecology. The City is funding the remediation costs with rate revenues, grant funding under a MTCA grant and possible insurance proceeds with the potential for grant funding and third party contributions.

During 2011, the City applied for a MTCA grant from the Washington State Department of Ecology in the amount of \$3,912,000 of which 75% will be provided by the Department of Ecology. This grant will help offset the total cost of remediation for Area 5 of the Sudbury Landfill. Grant billings in the amount of \$497,897 were submitted for 2012. In addition, the City anticipates receiving partial reimbursement through an insurance claim. For 2012, claims for reimbursement in the amount of \$227,241 were submitted by the City.

The Tausick Way Landfill is a properly closed, formerly permitted municipal waste landfill which was operated by the City between the 1940s and 1970s. The associated pollution remediation liability, if any, for the Tausick Way Landfill cannot be reasonably estimated at this time. The adjacent Burdine property is a formerly privately operated inert waste depository upon which municipal waste may have intruded. The City currently owns both the Tausick Way Landfill and the Burdine property sites. An early notice letter was signed by the Department of Ecology in 2004 stating that contaminated soil was reportedly found on the Burdine property. The City was granted an inert landfill permit for the Burdine property in 2006 which requires the City to perform groundwater monitoring. Per a consultant's estimate, the scope of any remedial action for the Burdine property and the City's associated requirements are estimated at \$845,000.

NOTE 24 – OTHER DISCLOSURES

A. Prior Period Adjustments

<u>Description</u>	Prior Period Adjustments	
	<u>Governmental Activities</u>	<u>Business Activities</u>
Construction work in process	\$ (307,822)	-
Assets – <i>buildings</i>	191,764	-
Assets – <i>improvements</i>	16,212	-
Assets – <i>infrastructure</i>	99,846	-
Accumulated depreciation	(1,040)	-
Other accrued liabilities	(23,627)	-
Deferred charges	<u>(10,521)</u>	<u>(83,573)</u>
Total net effect on beginning	\$ (35,188)	\$ (83,573)

Asset Reclassification

During year end activities, the City of Walla Walla identified improvements to the Service Center, within the scope of the Police Station project. These should have been classified as 2011 capital assets instead of being accounted for in the General Construction Work in Process account. The CWIP amount of \$307,822 was moved to the service center internal service fund and included buildings of \$191,764, improvements of \$16,212, and infrastructure of \$99,846. Depreciation impacted beginning fund balance in the net amount of (\$1,040).

AT&T Mobility Settlement

Customers of AT&T Mobility, a national cellular phone carrier, brought several class action suits against AT&T Mobility for incorrectly charging a tax on internet data services as prohibited by federal law. New Cingular Wireless submitted a claim for erroneously remitted data service taxes to the City in the amount of \$32,538 for November 2005 through September 2010. The City of Walla Walla was subsequently sued in King County Superior Court along with every other municipality in Washington state to whom the Internet tax was erroneously remitted. City Council agreed to a settlement with New Cingular Wireless in the amount of \$23,627 from the general fund, as the cost of litigating the matter outweighs the amount of the settlement.

Early Adoption of GASB 65

In 2012, the City implemented GASB 65, resulting in a change in accounting principles to write off prior year bond issuance costs. These deferred charges impacted the beginning balance in the amount of (\$94,094) of which \$55,555 was associated with the water/wastewater fund bonds, \$28,018 with the landfill fund, and \$10,521 with general government.

E. Subsequent Events

On May 30, 2013, the City of Walla Walla received an Early Notice from the State of Washington Department of Ecology (DOE) for its Tausick Way landfill property. The DOE has decided the Tausick Way landfill property will be added to the Confirmed and Suspected Contaminated Sites database and that a Site Hazard Assessment will be conducted. At this time, the associated pollution remediation liability, if any, cannot be reasonably estimated.

NONMAJOR GOVERNMENTAL FUNDS

Nonmajor governmental funds generally account for tax-supported activities and fall into the four categories described below.

<u>Contents</u>	<u>Page</u>
Special Revenue Funds <i>Special revenue funds account for the proceeds of specific revenue sources which are legally restricted to expenditures for specified purposes.</i>	88
Debt Service Funds <i>Debt service funds account for the accumulation of resources for, and the payment of, long-term debt principal and interest.</i>	90
Capital Project Funds <i>Capital project funds account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds.</i>	92
Permanent Funds <i>Permanent funds report resources legally restricted to the extent that only earnings, not principal, may be used for the benefit of the City or its citizenry.</i>	94

City of Walla Walla
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2012

	Special Revenue	Debt Service	Capital Project	Permanent	Other Governmental
ASSETS					
Cash and equivalents	\$ 1,891,547	\$ 357,378	\$ (51,102)	\$ 10,884	\$ 2,208,707
Restricted cash and equivalents	876,454	-	-	16,545	892,999
Taxes receivables (net)	-	1,233,959	-	-	1,233,959
Other receivables (net)	51,356	-	51,102	-	102,458
Special assessments receivable	-	380,824	-	-	380,824
Notes receivable	1,245	-	-	-	1,245
Total assets	<u>\$ 2,820,602</u>	<u>\$ 1,972,161</u>	<u>\$ -</u>	<u>\$ 27,429</u>	<u>\$ 4,820,192</u>
LIABILITIES					
Accounts payable	52,302	-	-	-	52,302
Other accrued liabilities	27,494	-	-	-	27,494
Interfund loans payable	351,513	515,163	-	-	866,676
Deferred revenues	-	-	-	-	-
Total liabilities	<u>431,309</u>	<u>515,163</u>	<u>-</u>	<u>-</u>	<u>946,472</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue property taxes	-	1,233,959	-	-	1,233,959
Unavailable revenue special assessments	-	372,610	-	-	372,610
Total deferred inflows of resources	<u>-</u>	<u>1,606,569</u>	<u>-</u>	<u>-</u>	<u>1,606,569</u>
FUND BALANCES					
Nonspendable	1,245	-	-	16,545	17,790
Restricted	863,791	158,099	-	-	1,021,890
Committed	1,436,502	51,163	-	-	1,487,665
Assigned	87,755	-	-	10,884	98,639
Unassigned	-	(358,833)	-	-	(358,833)
Total fund balances	<u>2,389,293</u>	<u>(149,571)</u>	<u>-</u>	<u>27,429</u>	<u>2,267,151</u>
Total liabilities, deferred inflows of resources, fund balances	<u>\$ 2,820,602</u>	<u>\$ 1,972,161</u>	<u>\$ -</u>	<u>\$ 27,429</u>	<u>\$ 4,820,192</u>

City of Walla Walla
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended December 31, 2012

	Special Revenue	Debt Service	Capital Project	Permanent	Other Governmental
REVENUES					
Taxes	\$ 1,454,535	\$ 1,196,786	\$ -	\$ -	\$ 2,651,321
Licenses and permits	289,631	-	-	-	289,631
Intergovernmental revenues	647,152	-	-	-	647,152
Charges for goods and services	420,819	-	-	-	420,819
Fines and forfeitures	8,113	-	-	-	8,113
Miscellaneous revenues	242,775	159,711	23	52	402,561
Total revenues	3,063,025	1,356,497	23	52	4,419,597
EXPENDITURES					
Current:					
Public safety	28,783	-	-	-	28,783
Utilities and environment	(2,545)	-	-	-	(2,545)
Transportation	1,640,584	-	-	-	1,640,584
Economic environment	4,845	-	-	-	4,845
Culture and recreation	870,019	-	-	-	870,019
Debt service:					
Principal retirement	-	754,595	-	-	754,595
Interest	16,020	628,239	-	-	644,259
Administrative charges	-	1,382	-	-	1,382
Capital outlay:					
Public safety	-	-	4,063	-	4,063
Transportation	-	-	87,949	-	87,949
Total expenditures	2,557,706	1,384,216	92,012	-	4,033,934
Excess (deficiency) of revenues over expenditures	505,319	(27,719)	(91,989)	52	385,663
OTHER FINANCING SOURCES (USES)					
Transfers in	442,209	391,537	87,949	-	921,695
Transfers out	(293,827)	(342,038)	(20,697)	-	(656,562)
Insurance recoveries	9,198	-	-	-	9,198
Total other financing sources and uses	157,580	49,499	67,252	-	274,331
Net change in fund balances	662,899	21,780	(24,737)	52	659,994
Fund balances -- beginning	1,726,394	(171,351)	24,737	27,377	1,607,157
Fund balances -- ending	\$ 2,389,293	\$ (149,571)	\$ -	\$ 27,429	\$ 2,267,151

City of Walla Walla
Combining Balance Sheet
Nonmajor Special Revenue Funds
December 31, 2012

	Streets	Capital Improvement	Housing Development	Hotel/ Motel Tax	Tourism Promotion	UDAG	Drug Fund	Community Development	Code Enforcement	Cemetery Endowment	Transportation Benefit District	Total Special Revenue
ASSETS												
Cash and equivalents	\$ 491,920	\$ 85,701	\$ 184,600	\$ 108,211	\$ 15,149	\$ 84,722	\$ 375,935	\$ 7,554	\$ 240,171	\$ 1,294	\$ 296,290	\$ 1,891,547
Restricted cash and equivalents	-	-	-	-	-	-	-	-	-	876,454	-	876,454
Other receivables (net)	35,155	12,889	-	-	-	-	-	-	1,573	1,739	-	51,356
Notes receivable	-	-	-	-	-	1,245	-	-	-	-	-	1,245
Total assets	<u>\$ 527,075</u>	<u>\$ 98,590</u>	<u>\$ 184,600</u>	<u>\$ 108,211</u>	<u>\$ 15,149</u>	<u>\$ 85,967</u>	<u>\$ 375,935</u>	<u>\$ 7,554</u>	<u>\$ 241,744</u>	<u>\$ 879,487</u>	<u>\$ 296,290</u>	<u>\$ 2,820,602</u>
LIABILITIES AND FUND BALANCES												
Liabilities:												
Accounts payable	\$ 55	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 52,247	\$ 52,302
Other accrued liabilities	27,494	-	-	-	-	-	-	-	-	-	-	27,494
Interfund loans payable	351,513	-	-	-	-	-	-	-	-	-	-	351,513
Total liabilities	<u>379,062</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>52,247</u>	<u>431,309</u>
Fund balances:												
Nonspendable	-	-	-	-	-	1,245	-	-	-	-	-	1,245
Restricted	22,055	98,398	-	108,211	15,149	-	375,935	-	-	-	244,043	863,791
Committed	125,958	192	184,600	-	-	-	-	7,554	241,744	876,454	-	1,436,502
Assigned	-	-	-	-	-	84,722	-	-	-	3,033	-	87,755
Unassigned	-	-	-	-	-	-	-	-	-	-	-	-
Total fund balances	<u>148,013</u>	<u>98,590</u>	<u>184,600</u>	<u>108,211</u>	<u>15,149</u>	<u>85,967</u>	<u>375,935</u>	<u>7,554</u>	<u>241,744</u>	<u>879,487</u>	<u>244,043</u>	<u>2,389,293</u>
Total liabilities and fund balances	<u>\$ 527,075</u>	<u>\$ 98,590</u>	<u>\$ 184,600</u>	<u>\$ 108,211</u>	<u>\$ 15,149</u>	<u>\$ 85,967</u>	<u>\$ 375,935</u>	<u>\$ 7,554</u>	<u>\$ 241,744</u>	<u>\$ 879,487</u>	<u>\$ 296,290</u>	<u>\$ 2,820,602</u>

City of Walla Walla
Combining Statement of Revenues, Expenses and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2012

	Streets	Capital Improvement	Housing Development	Hotel/Motel Tax	Tourism Promotion	UDAG	Drug Fund	Community Development	Code Enforcement	Cemetery Endowment	Transportation Benefit District	Total Special Revenue
REVENUES												
Taxes	\$ -	\$ 225,353	\$ -	\$ 668,593	\$ 213,602	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 346,987	\$ 1,454,535
Licenses and permits	289,631	-	-	-	-	-	-	-	-	-	-	289,631
Intergovernmental revenues	647,152	-	-	-	-	-	-	-	-	-	-	647,152
Charges for goods and services	399,501	-	-	-	-	-	-	-	-	21,318	-	420,819
Fines and forfeitures	-	-	-	-	-	-	8,113	-	-	-	-	8,113
Miscellaneous revenues	8,644	192	350	171	31	811	29,782	14	201,008	1,632	140	242,775
Total revenues	1,344,928	225,545	350	668,764	213,633	811	37,895	14	201,008	22,950	347,127	3,063,025
EXPENDITURES												
Current:												
Public safety	-	-	-	-	-	-	22,570	-	6,213	-	-	28,783
Utilities and environment	-	-	-	-	-	-	-	-	(2,545)	-	-	(2,545)
Transportation	1,640,584	-	-	-	-	-	-	-	-	-	-	1,640,584
Economic environment	-	-	4,845	-	-	-	-	-	-	-	-	4,845
Culture and recreation	-	-	-	671,382	198,637	-	-	-	-	-	-	870,019
Debt service:												
Interest	16,020	-	-	-	-	-	-	-	-	-	-	16,020
Total expenditures	1,656,604	-	4,845	671,382	198,637	-	22,570	-	3,668	-	-	2,557,706
Excess (deficiency) of revenues over expenditures	(311,676)	225,545	(4,495)	(2,618)	14,996	811	15,325	14	197,340	22,950	347,127	505,319
OTHER FINANCING SOURCES (USES)												
Transfers in	442,209	-	-	-	-	-	-	-	-	-	-	442,209
Transfers out	-	(146,783)	-	-	-	(41,563)	-	-	-	(2,397)	(103,084)	(293,827)
Insurance recoveries	-	-	-	-	-	-	9,198	-	-	-	-	9,198
Total other financing sources and uses	442,209	(146,783)	-	-	-	(41,563)	9,198	-	-	(2,397)	(103,084)	157,580
Net change in fund balance	130,533	78,762	(4,495)	(2,618)	14,996	(40,752)	24,523	14	197,340	20,553	244,043	662,899
Fund balance - beginning	17,480	19,828	189,095	110,829	153	126,719	351,412	7,540	44,404	858,934	-	1,726,394
Fund balance - ending	\$ 148,013	\$ 98,590	\$ 184,600	\$ 108,211	\$ 15,149	\$ 85,967	\$ 375,935	\$ 7,554	\$ 241,744	\$ 879,487	\$ 244,043	\$ 2,389,293

City of Walla Walla
Combining Balance Sheet
Nonmajor Debt Service Funds
December 31, 2012

	L.T.G.O Bond	LID Bond Fund	LID Guarantee	Total Nonmajor Debt Service
ASSETS				
Cash and equivalents	\$ 176,494	\$ 149,932	\$ 30,952	\$ 357,378
Taxes receivables	1,233,959	-	-	1,233,959
Special assessments receivable	-	380,824	-	380,824
Total assets	<u>\$ 1,410,453</u>	<u>\$ 530,756</u>	<u>\$ 30,952</u>	<u>\$ 1,972,161</u>
LIABILITIES				
Interfund loans payable	-	515,163	-	515,163
Unearned revenues	-	-	-	-
Total liabilities	<u>-</u>	<u>515,163</u>	<u>-</u>	<u>515,163</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue property taxes	1,233,959	-	-	1,233,959
Unavailable revenue special assessments	-	372,610	-	372,610
Total deferred inflows of resources	<u>1,233,959</u>	<u>372,610</u>	<u>-</u>	<u>1,606,569</u>
FUND BALANCES				
Restricted	158,099	-	-	158,099
Committed	18,395	1,816	30,952	51,163
Unassigned	-	(358,833)	-	(358,833)
Total fund balances	<u>176,494</u>	<u>(357,017)</u>	<u>30,952</u>	<u>(149,571)</u>
Total liabilities, deferred inflows of resources, fund balances	<u>\$ 1,410,453</u>	<u>\$ 530,756</u>	<u>\$ 30,952</u>	<u>\$ 1,972,161</u>

City of Walla Walla
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Debt Service Funds
For the Year Ended December 31, 2012

	L.T.G.O. Bond	LID Bond Fund	LID Guarantee	Total Nonmajor Debt Service
REVENUES				
Taxes	\$ 1,196,786	\$ -	\$ -	\$ 1,196,786
Miscellaneous revenues	3,387	156,266	58	159,711
Total revenues	<u>1,200,173</u>	<u>156,266</u>	<u>58</u>	<u>1,356,497</u>
EXPENDITURES				
Debt service:				
Principal Retirement	754,595	-	-	754,595
Interest	604,126	24,113	-	628,239
Administrative charges	1,382	-	-	1,382
Total expenditures	<u>1,360,103</u>	<u>24,113</u>	<u>-</u>	<u>1,384,216</u>
Excess (deficiency) of revenues over expenditures	<u>(159,930)</u>	<u>132,153</u>	<u>58</u>	<u>(27,719)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	220,518	-	171,019	391,537
Transfers out	-	(171,019)	(171,019)	(342,038)
Total other financing sources and uses	<u>220,518</u>	<u>(171,019)</u>	<u>-</u>	<u>49,499</u>
Net change in fund balances	60,588	(38,866)	58	21,780
Fund balances -- beginning	115,906	(318,151)	30,894	(171,351)
Fund balances -- ending	<u>\$ 176,494</u>	<u>\$ (357,017)</u>	<u>\$ 30,952</u>	<u>\$ (149,571)</u>

City of Walla Walla
Combining Balance Sheet
Nonmajor Capital Project Funds
December 31, 2012

	Fire CIP's	Parks CIP's	TBD Street CIP	Total Nonmajor Capital Project
ASSETS				
Cash and equivalents	\$ -	\$ -	\$ (51,102)	\$ (51,102)
Other receivables (net)	-	-	51,102	51,102
Total assets	\$ -	\$ -	\$ -	\$ -
LIABILITIES AND FUND BALANCES				
Liabilities:				
Fund balances:				
Total fund balances	-	-	-	-
Total liabilities and fund balances	\$ -	\$ -	\$ -	\$ -

City of Walla Walla
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Capital Project Funds
For the Year Ended December 31, 2012

	Fire CIP's	Parks CIP's	TBD Street CIP's	Total Nonmajor Capital Project
REVENUES				
Miscellaneous revenues	\$ 21	\$ 2	\$ -	\$ 23
Total revenues	<u>21</u>	<u>2</u>	<u>-</u>	<u>23</u>
EXPENDITURES				
Current:				
Capital outlay:				
Public safety	4,063	-	-	4,063
Transportation	-	-	87,949	87,949
Total expenditures	<u>4,063</u>	<u>-</u>	<u>87,949</u>	<u>92,012</u>
Excess (deficiency) of revenues over expenditures	<u>(4,042)</u>	<u>2</u>	<u>(87,949)</u>	<u>(91,989)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	87,949	87,949
Transfers out	<u>(15,540)</u>	<u>(5,157)</u>	<u>-</u>	<u>(20,697)</u>
Total other financing sources and uses	<u>(15,540)</u>	<u>(5,157)</u>	<u>87,949</u>	<u>67,252</u>
Net change in fund balances	<u>(19,582)</u>	<u>(5,155)</u>	<u>-</u>	<u>(24,737)</u>
Fund balances -- beginning	<u>19,582</u>	<u>5,155</u>	<u>-</u>	<u>24,737</u>
Fund balances -- ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

City of Walla Walla
Combining Balance Sheet
Nonmajor Permanent Funds
December 31, 2012

	Esther Eyrud	Sherwood Library	Total Nonmajor Permanent
ASSETS			
Cash and equivalents	\$ 10,066	\$ 818	\$ 10,884
Restricted cash and equivalents	3,000	13,545	16,545
Total assets	<u>\$ 13,066</u>	<u>\$ 14,363</u>	<u>\$ 27,429</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Fund balances:			
Nonspendable	3,000	13,545	16,545
Assigned	10,066	818	10,884
Total fund balances	<u>13,066</u>	<u>14,363</u>	<u>27,429</u>
Total liabilities and fund balances	<u>\$ 13,066</u>	<u>\$ 14,363</u>	<u>\$ 27,429</u>

City of Walla Walla
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Permanent Funds
For the Year Ended December 31, 2012

	Esther Eyrud	Sherwood Library	Total Nonmajor Permanent
REVENUES			
Miscellaneous revenues	\$ 25	\$ 27	\$ 52
Total revenues	<u>25</u>	<u>27</u>	<u>52</u>
EXPENDITURES			
Current:			
Total expenditures	-	-	-
Excess (deficiency) of revenues over expenditures	25	27	52
OTHER FINANCING SOURCES (USES)			
Total other financing sources and uses	-	-	-
Net change in fund balances	25	27	52
Fund balances -- beginning	13,041	14,336	27,377
Fund balances -- ending	<u>\$ 13,066</u>	<u>\$ 14,363</u>	<u>\$ 27,429</u>

City of Walla Walla
Street Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended December 31, 2012

	2011-2012 Biennial Budget	Actuals 2011-12	Variance with Final Budget Over (Under)
REVENUES			
Licenses and permits	\$ 546,180	\$ 567,300	\$ 21,120
Intergovernmental revenues	1,489,000	1,447,750	(41,250)
Charges for goods and services	670,620	773,090	102,470
Miscellaneous revenues	19,280	22,040	2,760
Total revenues	<u>2,725,080</u>	<u>2,810,180</u>	<u>85,100</u>
EXPENDITURES			
Current:			
Transportation	3,659,880	3,527,140	(132,740)
Debt service:			
Principal retirement	104,250	104,250	-
Special assessment	45,810	45,810	-
Interest	34,150	34,140	(10)
Total expenditures	<u>3,844,090</u>	<u>3,711,340</u>	<u>(132,750)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,119,010)</u>	<u>(901,160)</u>	<u>217,850</u>
OTHER FINANCING SOURCES (USES)			
Insurance recoveries	-	21,300	21,300
Transfers in	843,070	838,120	(4,950)
Proceeds from disposal of capital assets	-	11,470	11,470
Total other financing sources and uses and special items	<u>843,070</u>	<u>870,890</u>	<u>27,820</u>
Net change in fund balances	<u>(275,940)</u>	<u>(30,270)</u>	<u>245,670</u>
Fund balances -- beginning	<u>74,050</u>	<u>74,050</u>	<u>-</u>
Fund balances -- ending	<u>\$ (201,890)</u>	<u>43,780</u>	<u>\$ 245,670</u>
Interfund loan adjustment		104,250	
Ending fund balance		<u>\$ 148,030</u>	

Figures are rounded to the nearest ten dollars.

City of Walla Walla
Capital Improvement Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended December 31, 2012

	2011-2012 Biennial Budget	Actuals 2011-12	Variance with Final Budget Over (Under)
REVENUES			
Taxes	\$ 360,000	\$ 406,420	\$ 46,420
Miscellaneous revenues	600	350	(250)
Total revenues	<u>360,600</u>	<u>406,770</u>	<u>46,170</u>
EXPENDITURES			
Total expenditures	-	-	-
Excess (deficiency) of revenues over (under) expenditures	360,600	406,770	46,170
OTHER FINANCING SOURCES (USES)			
Transfers out	(323,410)	(323,400)	10
Total other financing sources and uses and special items	<u>(323,410)</u>	<u>(323,400)</u>	<u>10</u>
Net change in fund balances	37,190	83,370	46,180
Fund balances -- beginning	15,210	15,210	-
Fund balances -- ending	<u>\$ 52,400</u>	<u>\$ 98,580</u>	<u>\$ 46,180</u>

Figures are rounded to the nearest ten dollars.

City of Walla Walla
Housing Development Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended December 31, 2012

	2011-2012 Biennial Budget	Actuals 2011-12	Variance with Final Budget Over (Under)
REVENUES			
Intergovernmental revenues	\$ 20,500	\$ 38,970	\$ 18,470
Miscellaneous revenues	27,280	720	(26,560)
Total revenues	47,780	39,690	(8,090)
EXPENDITURES			
Current:			
Economic environment	27,050	48,360	21,310
Total expenditures	27,050	48,360	21,310
Excess (deficiency) of revenues over (under) expenditures	20,730	(8,670)	(29,400)
Net change in fund balances	20,730	(8,670)	(29,400)
Fund balances -- beginning	193,270	193,270	-
Fund balances -- ending	<u>\$ 214,000</u>	<u>\$ 184,600</u>	<u>\$ (29,400)</u>

Figures are rounded to the nearest ten dollars.

City of Walla Walla
Hotel/Motel Tax Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended December 31, 2012

	2011-2012 Biennial Budget	Actuals 2011-12	Variance with Final Budget Over (Under)
REVENUES			
Taxes	\$ 1,294,000	\$ 1,314,700	\$ 20,700
Miscellaneous revenues	780	390	(390)
Total revenues	<u>1,294,780</u>	<u>1,315,090</u>	<u>20,310</u>
EXPENDITURES			
Current:			
Culture and recreation	1,295,110	1,320,720	25,610
Total expenditures	<u>1,295,110</u>	<u>1,320,720</u>	<u>25,610</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(330)</u>	<u>(5,630)</u>	<u>(5,300)</u>
Net change in fund balances	<u>(330)</u>	<u>(5,630)</u>	<u>(5,300)</u>
Fund balances -- beginning	<u>113,840</u>	<u>113,840</u>	<u>-</u>
Fund balances -- ending	<u>\$ 113,510</u>	<u>\$ 108,210</u>	<u>\$ (5,300)</u>

Figures are rounded to the nearest ten dollars.

City of Walla Walla
Tourism Promotion Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended December 31, 2012

	2011-2012 Biennial Budget	Actuals 2011-12	Variance with Final Budget Over (Under)
REVENUES			
Taxes	\$ 428,000	\$ 429,170	\$ 1,170
Miscellaneous revenues	-	90	90
Total revenues	428,000	429,260	1,260
EXPENDITURES			
Current:			
Culture and recreation	446,380	432,500	(13,880)
Total expenditures	446,380	432,500	(13,880)
Excess (deficiency) of revenues over (under) expenditures	(18,380)	(3,240)	15,140
Net change in fund balances	(18,380)	(3,240)	15,140
Fund balances -- beginning	18,380	18,380	-
Fund balances -- ending	\$ -	\$ 15,140	\$ 15,140

Figures are rounded to the nearest ten dollars.

City of Walla Walla
UDAG Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended December 31, 2012

	2011-2012 Biennial Budget	Actuals 2011-12	Variance with Final Budget Over (Under)
REVENUES			
Taxes			\$ -
Licenses and permits			-
Intergovernmental revenues			-
Charges for goods and services			-
Fines and forfeits			-
Miscellaneous revenues	\$ 30,880	\$ 2,198	\$ (28,682)
Total revenues	<u>30,880</u>	<u>2,198</u>	<u>(28,682)</u>
EXPENDITURES			
Total expenditures	-	-	-
Excess (deficiency) of revenues over (under) expenditures	<u>30,880</u>	<u>2,198</u>	<u>(28,682)</u>
OTHER FINANCING SOURCES (USES)			
Transfers out	(95,560)	(95,560)	-
Total other financing sources and uses and special items	<u>(95,560)</u>	<u>(95,560)</u>	<u>-</u>
Net change in fund balances	(64,680)	(93,362)	(28,682)
Fund balances -- beginning	<u>179,330</u>	<u>179,330</u>	<u>-</u>
Fund balances -- ending	<u>\$ 114,650</u>	<u>\$ 85,968</u>	<u>\$ (28,682)</u>

Figures are rounded to the nearest ten dollars.

City of Walla Walla
Drug Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended December 31, 2012

	2011-2012 Biennial Budget	Actuals 2011-12	Variance with Final Budget Over (Under)
REVENUES			
Fines and forfeits	\$ 9,100	\$ 24,470	\$ 15,370
Insurance recoveries	0	9,200	9,200
Miscellaneous revenues	58,040	42,170	(15,870)
Total revenues	67,140	75,840	8,700
EXPENDITURES			
Current:			
Public safety	156,320	112,160	(44,160)
Total expenditures	156,320	112,160	(44,160)
Excess (deficiency) of revenues over (under) expenditures	(89,180)	(36,320)	52,860
Net change in fund balances	(89,180)	(36,320)	52,860
Fund balances -- beginning	412,270	412,270	-
Fund balances -- ending	<u>\$ 323,090</u>	<u>\$ 375,950</u>	<u>\$ 52,860</u>

Figures are rounded to the nearest ten dollars.

City of Walla Walla
Community Development Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended December 31, 2012

	2011-2012 Biennial Budget	Actuals 2011-12	Variance with Final Budget Over (Under)
REVENUES			
Miscellaneous revenues	\$ 100	\$ 30	\$ (70)
Total revenues	100	30	(70)
EXPENDITURES			
Total expenditures	-	-	-
Excess (deficiency) of revenues over (under) expenditures	100	30	(70)
Net change in fund balances	100	30	(70)
Fund balances -- beginning	7,530	7,530	-
Fund balances -- ending	<u>\$ 7,630</u>	<u>\$ 7,560</u>	<u>\$ (70)</u>

Figures are rounded to the nearest ten dollars.

City of Walla Walla
Code Enforcement Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended December 31, 2012

	2011-12 Biennial Budget	Actuals 2011-12	Variance with Final Budget Over (Under)
REVENUES			
Miscellaneous revenues	\$ 201,620	\$ 201,500	\$ (120)
Total revenues	201,620	201,500	(120)
EXPENDITURES			
Current:			
Public safety	257,730	209,200	(48,530)
Utilities and environment	2,820	(1,120)	(3,940)
Total expenditures	260,550	208,080	(52,470)
Excess (deficiency) of revenues over (under) expenditures	(58,930)	(6,580)	52,350
Net change in fund balances	(58,930)	(6,580)	52,350
Fund balances -- beginning	248,320	248,320	-
Fund balances -- ending	<u>\$ 189,390</u>	<u>\$ 241,740</u>	<u>\$ 52,350</u>

Figures are rounded to the nearest ten dollars.

City of Walla Walla
Cemetery Endowment Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended December 31, 2012

	2011-2012 Biennial Budget	Actuals 2011-12	Variance with Final Budget Over (Under)
REVENUES			
Charges for goods and services	\$ 43,100	\$ 42,990	\$ (110)
Miscellaneous revenues	3,940	3,270	(670)
Total revenues	47,040	46,260	(780)
EXPENDITURES			
Total expenditures	-	-	-
Excess (deficiency) of revenues over (under) expenditures	47,040	46,260	(780)
OTHER FINANCING SOURCES (USES)			
Transfers out	(8,380)	(8,380)	-
Total other financing sources and uses and special items	(8,380)	(8,380)	-
Net change in fund balances	38,660	37,880	(780)
Fund balances -- beginning	841,600	841,600	-
Fund balances -- ending	<u>\$ 880,260</u>	<u>\$ 879,480</u>	<u>\$ (780)</u>

Figures are rounded to the nearest ten dollars.

City of Walla Walla
Transportation Benefit District
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended December 31, 2012

	2011-2012 Biennial Budget	Actuals 2011-12	Variance with Final Budget Over (Under)
REVENUES			
Taxes	\$ 293,000	\$ 346,990	53,990
Miscellaneous revenues		\$ 140	
Total revenues	293,000	347,130	53,990
EXPENDITURES			
Total expenditures	-	-	-
Excess (deficiency) of revenues over (under) expenditures	293,000	347,130	53,990
OTHER FINANCING SOURCES (USES)			
Transfers out	(293,000)	(103,080)	189,920
Total other financing sources and uses and special items	(293,000)	(103,080)	189,920
Net change in fund balances	-	244,050	243,910
Fund balances -- beginning	-	-	-
Fund balances -- ending	\$ -	\$ 244,050	\$ 243,910

Figures are rounded to the nearest ten dollars.

City of Walla Walla
L.T.G.O. Bond Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended December 31, 2012

	2011-2012 Biennial Budget	Actuals 2011-12	Variance with Final Budget Over (Under)
REVENUES			
Taxes	\$ 2,388,710	\$ 2,374,140	\$ (14,570)
Miscellaneous revenues	920	4,020	3,100
Total revenues	<u>2,389,630</u>	<u>2,378,160</u>	<u>(11,470)</u>
EXPENDITURES			
Debt service:			
Principal retirement	1,507,570	1,507,570	-
Interest	1,234,300	1,234,270	(30)
Administrative charges	1,600	2,760	1,160
Total expenditures	<u>2,743,470</u>	<u>2,744,600</u>	<u>1,130</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(353,840)</u>	<u>(366,440)</u>	<u>(12,600)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	471,730	471,720	(10)
Total other financing sources and uses and special items	<u>471,730</u>	<u>471,720</u>	<u>(10)</u>
Net change in fund balances	117,890	105,280	(12,610)
Fund balances -- beginning	<u>71,230</u>	<u>71,230</u>	<u>-</u>
Fund balances -- ending	<u>\$ 189,120</u>	<u>\$ 176,510</u>	<u>\$ (12,610)</u>

Figures are rounded to the nearest ten dollars.

City of Walla Walla
LID Bond Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended December 31, 2012

	2011-2012 Biennial Budget	Actuals 2011-12	Variance with Final Budget Over (Under)
REVENUES			
Miscellaneous revenues	\$ 24,470	\$ 315,400	\$ 290,930
Total revenues	<u>24,470</u>	<u>315,400</u>	<u>290,930</u>
EXPENDITURES			
Debt service:			
Principal retirement	-	35,840	35,840
Interest	2,020	26,130	24,110
Total expenditures	<u>2,020</u>	<u>61,970</u>	<u>59,950</u>
Excess (deficiency) of revenues over (under) expenditures	<u>22,450</u>	<u>253,430</u>	<u>350,880</u>
OTHER FINANCING SOURCES (USES)			
Bonds issued			
Transfers in	-	45,810	45,810
Transfers out	(231,000)	(838,720)	(607,720)
Total other financing sources and uses and special items	<u>(231,000)</u>	<u>(792,910)</u>	<u>(561,910)</u>
Net change in fund balances	(208,550)	(539,480)	(211,030)
Fund balances -- beginning	<u>146,580</u>	<u>146,580</u>	<u>-</u>
Fund balances -- ending	<u>\$ (61,970)</u>	<u>\$ (357,060)</u>	<u>\$ (211,030)</u>
Interfund loan adjustment		35,840	

Figures are rounded to the nearest ten dollars.

City of Walla Walla
LID Guarantee Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended December 31, 2012

	2011-2012 Biennial Budget	Actuals 2011-12	Variance with Final Budget Over (Under)
REVENUES			
Miscellaneous revenues	\$ 30	\$ 70	\$ 40
Total revenues	30	70	40
EXPENDITURES			
Total expenditures	-	-	-
Excess (deficiency) of revenues over (under) expenditures	30	70	40
OTHER FINANCING SOURCES (USES)			
Transfers in	198,620	198,560	(60)
Transfers out	(174,430)	(171,020)	3,410
Total other financing sources and uses and special items	24,190	27,540	3,350
Net change in fund balances	24,220	27,610	3,390
Fund balances -- beginning	3,340	3,340	-
Fund balances -- ending	<u>\$ 27,560</u>	<u>\$ 30,950</u>	<u>\$ 3,390</u>

Figures are rounded to the nearest ten dollars.

City of Walla Walla
General CIP's Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended December 31, 2012

	2011-2012 Biennial Budget	Actuals 2011-12	Variance with Final Budget Over (Under)
REVENUES			
Intergovernmental revenues	\$ 97,060	\$ 97,060	\$ -
Miscellaneous revenues	590	15,710	15,120
Total revenues	97,650	112,770	15,120
EXPENDITURES			
Current:			
Public safety	830,910	820,210	(10,700)
Capital outlay:			
General government		53,450	53,450
Public safety	8,664,650	8,001,990	(662,660)
Total expenditures	9,495,560	8,875,650	(619,910)
Excess (deficiency) of revenues over (under) expenditures	(9,397,910)	(8,762,880)	635,030
OTHER FINANCING SOURCES (USES)			
Transfers in	139,720	94,650	(45,070)
Transfers out	(2,120)	(16,880)	(14,760)
Total other financing sources and uses and special items	137,600	77,770	(59,830)
Net change in fund balances	(9,260,310)	(8,685,110)	575,200
Fund balances -- beginning	9,258,400	9,258,400	-
Fund balances -- ending	<u>\$ (1,910)</u>	<u>\$ 573,290</u>	<u>\$ 575,200</u>

Figures are rounded to the nearest ten dollars.

City of Walla Walla
Fire CIP's Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended December 31, 2012

	2011-2012 Biennial Budget	Actuals 2011-12	Variance with Final Budget Over (Under)
REVENUES			
Miscellaneous revenues	\$ -	\$ 100	\$ 100
Total revenues	-	100	100
EXPENDITURES			
Current:			
Public safety	14,490	13,890	(600)
Capital outlay:			
Public safety	-	-	-
Total expenditures	14,490	13,890	(600)
Excess (deficiency) of revenues over (under) expenditures	(14,490)	(13,790)	700
OTHER FINANCING SOURCES (USES)			
Transfers out	(40,360)	(36,050)	
Proceeds from disposal of capital assets			
Total other financing sources and uses and special items	(40,360)	(36,050)	
Net change in fund balances	(54,850)	(49,840)	700
Fund balances -- beginning	49,850	49,850	-
Fund balances -- ending	<u>\$ (5,000)</u>	<u>\$ 10</u>	<u>\$ 700</u>

Figures are rounded to the nearest ten dollars.

City of Walla Walla
Parks CIP's Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended December 31, 2012

	2011-2012 Biennial Budget	Actuals 2011-12	Variance with Final Budget Over (Under)
REVENUES			
Miscellaneous revenues	\$ -	\$ 10	\$ 10
Total revenues	-	10	10
EXPENDITURES			
Capital outlay:			
Culture and recreation	-	-	-
Total expenditures	-	-	-
Excess (deficiency) of revenues over (under) expenditures	-	10	10
OTHER FINANCING SOURCES (USES)			
Transfers out	(5,160)	(5,160)	-
Total other financing sources and uses and special items	(5,160)	(5,160)	-
Net change in fund balances	(5,160)	(5,150)	10
Fund balances -- beginning	5,150	5,150	-
Fund balances -- ending	<u>\$ (10)</u>	<u>\$ -</u>	<u>\$ 10</u>

Figures are rounded to the nearest ten dollars.

City of Walla Walla
Street CIP Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended December 31, 2012

	2011-2012 Biennial Budget	Actuals 2011-12	Variance with Final Budget Over (Under)
REVENUES			
Intergovernmental revenues	\$ 7,577,900	\$ 2,405,160	\$ (5,172,740)
Miscellaneous revenues	11,830	15,040	3,210
Total revenues	<u>7,589,730</u>	<u>2,420,200</u>	<u>(5,169,530)</u>
EXPENDITURES			
Current:			
Transportation	97,140	148,200	51,060
Debt service:			
Principal retirement	680,000	680,000	-
Capital outlay:			
Transportation	12,004,770	5,088,630	(6,916,140)
Total expenditures	<u>12,781,910</u>	<u>5,916,830</u>	<u>(6,865,080)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(5,192,180)</u>	<u>(3,496,630)</u>	<u>1,695,550</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	4,227,020	2,896,270	(1,330,750)
Transfers out	(371,070)	(371,070)	-
Total other financing sources and uses and special items	<u>3,855,950</u>	<u>2,525,200</u>	<u>(1,330,750)</u>
Net change in fund balances	<u>(1,336,230)</u>	<u>(971,430)</u>	<u>364,800</u>
Fund balances -- beginning	<u>1,057,140</u>	<u>1,057,140</u>	<u>-</u>
Fund balances -- ending	<u>\$ (279,090)</u>	<u>\$ 85,710</u>	<u>\$ 364,800</u>
Interfund loan adjustment		680,000	
Ending fund balance		<u>\$ 765,710</u>	

Figures are rounded to the nearest ten dollars.

City of Walla Walla
Transportation Benefit District Street CIP Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended December 31, 2012

	2011-2012 Biennial Budget	Actuals 2011-12	Variance with Final Budget Over (Under)
REVENUES			
Total revenues	-	-	-
EXPENDITURES			
Current:			
Transportation	150,000	87,950	(62,050)
Total expenditures	150,000	87,950	(62,050)
Excess (deficiency) of revenues over (under) expenditures	(150,000)	(87,950)	62,050
OTHER FINANCING SOURCES (USES)			
Transfers in	150,000	87,950	(62,050)
Total other financing sources and uses and special items	150,000	87,950	(62,050)
Net change in fund balances	-	-	-
Fund balances -- beginning	-	-	-
Fund balances -- ending	\$ -	\$ -	\$ -

Figures are rounded to the nearest ten dollars.

City of Walla Walla
 Esther Eyrud Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended December 31, 2012

	2011-2012 Biennial Budget	Actuals 2011-12	Variance with Final Budget Over (Under)
REVENUES			
Miscellaneous revenues	\$ 180	\$ 50	\$ (130)
Total revenues	180	50	(130)
EXPENDITURES			
Current:			
Culture and recreation	180	100	(80)
Total expenditures	180	100	(80)
Excess (deficiency) of revenues over (under) expenditures	-	(50)	(50)
Net change in fund balances	-	(50)	(50)
Fund balances -- beginning	13,120	13,120	-
Fund balances -- ending	<u>\$ 13,120</u>	<u>\$ 13,070</u>	<u>\$ (50)</u>

Figures are rounded to the nearest ten dollars.

City of Walla Walla
Sherwood Library Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended December 31, 2012

	2011-2012 Biennial Budget	Actuals 2011-12	Variance with Final Budget Over (Under)
REVENUES			
Miscellaneous revenues	\$ 200	\$ 50	\$ (150)
Total revenues	200	50	(150)
EXPENDITURES			
Current:			
Culture and recreation	200	70	(130)
Total expenditures	200	70	(130)
Excess (deficiency) of revenues over (under) expenditures	-	(20)	(20)
Net change in fund balances	-	(20)	(20)
Fund balances -- beginning	14,380	14,380	-
Fund balances -- ending	<u>\$ 14,380</u>	<u>\$ 14,360</u>	<u>\$ (20)</u>

Figures are rounded to the nearest ten dollars.

NONMAJOR ENTERPRISE FUNDS

Nonmajor proprietary funds focus on cost recovery and fall into the two categories described below.

<u>Contents</u>	<u>Page</u>
Enterprise Funds	118
<i>Enterprise funds account for the financing of goods or services for which a fee is charged to external users for use of those goods and services.</i>	
Internal Service Funds	121
<i>Internal service funds report an activity which provides goods or services to other funds, departments, or agencies of the City and its component units, or to other governments, on a cost-reimbursement basis.</i>	

City of Walla Walla
Combining Statement of Net Position
Nonmajor Enterprise Funds
December 31, 2012

	<u>Golf Course</u>	<u>Stormwater</u>	<u>Total Other Enterprise</u>
ASSETS			
Current assets:			
Cash and equivalents	\$ (7,138)	\$ 1,532,145	\$ 1,525,007
Other receivables (net)	30,014	123,599	153,613
Total current assets	<u>22,876</u>	<u>1,655,744</u>	<u>1,678,620</u>
Noncurrent assets:			
Land	38,508	16,907	55,415
Improvements other than buildings (net)	885,834	182,393	1,068,227
Machinery and equipment (net)	47,951	3,407	51,358
Infrastructure (net)	339,955	783,117	1,123,072
Construction in progress	-	299,425	299,425
Total noncurrent assets	<u>1,312,248</u>	<u>1,285,249</u>	<u>2,597,497</u>
Total assets	<u>\$ 1,335,124</u>	<u>\$ 2,940,993</u>	<u>\$ 4,276,117</u>
LIABILITIES			
Current liabilities:			
Other accrued liabilities	\$ 2,942	\$ 28,984	\$ 31,926
Compensated absences	-	18,683	18,683
Current portion long term debt	17,855	-	17,855
Interfund loans payable	33,545	-	33,545
Total current liabilities	<u>54,342</u>	<u>47,667</u>	<u>102,009</u>
Long-term liabilities:			
Compensated absences	-	10,938	10,938
Long term debt	242,022	-	242,022
Interfund loans payable	493,533	-	493,533
Total noncurrent liabilities	<u>735,555</u>	<u>10,938</u>	<u>746,493</u>
Total liabilities	<u>789,897</u>	<u>58,605</u>	<u>848,502</u>
NET POSITION			
Net investment in capital assets	1,052,371	1,285,249	2,337,620
Unrestricted	(507,144)	1,597,139	1,089,995
Total net position	<u>\$ 545,227</u>	<u>\$ 2,882,388</u>	<u>\$ 3,427,615</u>

City of Walla Walla
Combining Statement of Revenues, Expenses, and Changes in Fund Net Position
Nonmajor Enterprise Funds
For the Year Ended December 31, 2012

	Golf Course	Stormwater	Total Other Enterprise
Operating revenues:			
Charges for goods and services	\$ 25,145	\$ 1,352,076	\$ 1,377,221
Miscellaneous revenues	50,915	-	50,915
Total operating revenues	<u>76,060</u>	<u>1,352,076</u>	<u>1,428,136</u>
Operating expenses:			
Depreciation	55,184	16,815	71,999
Salaries and wages	-	207,401	207,401
Personnel benefits	-	86,456	86,456
Supplies	-	14,601	14,601
Services and charges	4,122	92,297	96,419
Intergovernmental services	-	167,646	167,646
Interfund service payments	15,580	369,680	385,260
Total operating expenses	<u>74,886</u>	<u>954,896</u>	<u>1,029,782</u>
Operating income (loss)	<u>1,174</u>	<u>397,180</u>	<u>398,354</u>
Nonoperating revenues (expenses):			
Miscellaneous revenues	28	3,253	3,281
Debt service-interest	(35,888)	-	(35,888)
Total non operating revenue (expenses)	<u>(35,860)</u>	<u>3,253</u>	<u>(32,607)</u>
Income (loss) before contributions, transfers, special items, and extraordinary items	<u>(34,686)</u>	<u>400,433</u>	<u>365,747</u>
Capital contributions			
Transfers in	6,250	129,327	135,577
Transfers out	37,600	161,466	199,066
Change in net position	-	(89,416)	(89,416)
	<u>9,164</u>	<u>601,810</u>	<u>610,974</u>
Total net position -- beginning	<u>536,063</u>	<u>2,280,578</u>	<u>2,816,641</u>
Total net position -- ending	<u>\$ 545,227</u>	<u>\$ 2,882,388</u>	<u>\$ 3,427,615</u>

City of Walla Walla
Combining Statement of Cash Flows
Non-major Enterprise Funds
For the Year Ended December 31, 2012

	Golf Course	Stormwater	Total Other Enterprise
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash from customers	\$ (4,869)	\$ 1,317,839	\$ 1,312,970
Payments to suppliers	(3,884)	(283,117)	(287,001)
Payments to employees	-	(295,143)	(295,143)
Miscellaneous revenues	50,915	-	50,915
Interfund service payments	(15,580)	(369,680)	(385,260)
Net cash provided by operating activities	<u>26,582</u>	<u>369,899</u>	<u>396,481</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Proceeds (repayments) from interfund loan	(56,757)	-	(56,757)
Miscellaneous revenues	-	496	496
Transfers in	37,600	161,466	199,066
Transfers out	-	(89,416)	(89,416)
Total cash flows from financing	<u>(19,157)</u>	<u>72,546</u>	<u>53,389</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of capital assets	-	(342,167)	(342,167)
Capital contributions and purchases	6,250	129,327	135,577
Principal and interest payments	(29,137)	-	(29,137)
Total cash flows from capital and related	<u>(22,887)</u>	<u>(212,840)</u>	<u>(235,727)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	28	2,759	2,787
Total cash flows from investing	<u>28</u>	<u>2,759</u>	<u>2,787</u>
Net increase (decrease) in cash and equivalents	<u>(15,434)</u>	<u>232,364</u>	<u>216,930</u>
Beginning cash and cash equivalents	8,296	1,299,782	1,308,078
Ending cash and cash equivalents	<u>\$ (7,138)</u>	<u>\$ 1,532,146</u>	<u>\$ 1,525,008</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ 1,174	\$ 397,180	\$ 398,354
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense	55,184	16,815	71,999
(Increase) decrease in accounts receivable	(30,014)	(34,237)	(64,251)
Increase (decrease) in accounts payable	238	(8,573)	(8,335)
Increase (decrease) in salaries and benefits	-	(1,286)	(1,286)
Net cash provided by operating activities	<u>\$ 26,582</u>	<u>\$ 369,899</u>	<u>\$ 396,481</u>
No noncash investing, capital, and financing activities			

The notes to the financial statements are an integral part of this statement.

City of Walla Walla
Combining Statement of Position - Internal Service Funds
December 31, 2012

	Business-type Activities			Governmental-type Activities				Total
	Vehicle Maintenance	Vehicle Replacement	Emergency Communication	Service Center	Health Insurance	Industrial Insurance	Internal Service	
ASSETS								
Current assets:								
Cash and equivalents	\$ 88,345	\$ 5,285,920	\$ 382,154	\$ 250,203	\$ 233,520	\$ 357,663	\$ 6,597,805	
Other receivables (net)	4,432	48,049	156,492	5,070	-	-	214,043	
Interfund loans receivable	-	292,224	-	-	-	-	292,224	
Inventories	78,324	-	-	-	-	-	78,324	
Prepays	-	-	199	-	-	49,190	49,389	
Total current assets	171,101	5,626,193	538,845	255,273	233,520	406,853	7,231,785	
Noncurrent assets:								
Interfund loans receivable	-	2,214,766	-	-	-	-	2,214,766	
Land	-	-	-	135,600	-	-	135,600	
Buildings and structures (net)	-	-	-	2,897,939	-	-	2,897,939	
Improvements other than buildings (net)	-	-	-	15,334	-	-	15,334	
Machinery and equipment (net)	48,839	4,893,276	168,058	50,602	-	-	5,160,775	
Infrastructure (net)	-	-	-	78,852	-	-	78,852	
Total noncurrent assets	48,839	7,108,042	168,058	3,178,327	-	-	10,503,266	
Total assets	\$ 219,940	\$12,734,235	\$ 706,903	\$ 3,433,600	\$ 233,520	\$ 406,853	\$ 17,735,051	
LIABILITIES								
Current liabilities:								
Accounts payable	\$ 75	\$ -	\$ 9,420	\$ -	\$ -	\$ 20,279	\$ 29,774	
Other accrued liabilities	17,389	3,437	79,982	3,633	-	-	104,441	
Industrial insurance claims	-	-	-	-	-	20,819	20,819	
Compensated absences	21,863	2,530	109,768	4,216	-	-	138,377	
Current portion long term debt	-	-	-	91,883	-	-	91,883	
Interfund loans payable	20,000	-	-	-	-	-	20,000	
Total current liabilities	59,327	5,967	199,170	99,732	-	41,098	405,294	
Long-term liabilities:								
Industrial insurance claims	-	-	-	-	-	138,794	138,794	
Compensated absences	1,710	-	25,944	3,374	-	-	31,028	
Long term debt	-	-	-	164,082	-	-	164,082	
Total noncurrent liabilities	1,710	-	25,944	167,456	-	138,794	333,904	
Total liabilities	61,037	5,967	225,114	267,188	-	179,892	739,198	
NET POSITION								
Net investment in capital assets	48,839	4,893,276	168,058	2,922,362	-	-	8,032,535	
Unrestricted	110,064	7,834,992	313,731	244,050	233,520	226,961	8,963,318	
Total net position	\$ 158,903	\$12,728,268	\$ 481,789	\$ 3,166,412	\$ 233,520	\$ 226,961	\$ 16,995,853	

City of Walla Walla
Combining Statement of Revenues, Expenses, and Changes in Fund Net Position
Internal Service Funds
For the Year Ended December 31, 2012

	Business-type Activities		Government-type Activities				Total
	Vehicle Maintenance	Vehicle Replacement	Emergency Communication	Service Center	Health Insurance	Industrial Insurance	Internal Service
Operating revenues:							
Intergovernmental revenues	\$ -	\$ -	\$ 1,332,828	\$ -	\$ -	\$ -	\$ 1,332,828
Charges for goods and services	19,929	-	-	-	-	-	19,929
Miscellaneous revenues	-	-	-	20,280	-	-	20,280
Interfund charges	1,464,173	1,052,370	-	521,630	4,463,947	255,449	7,757,569
Total operating revenues	<u>1,484,102</u>	<u>1,052,370</u>	<u>1,332,828</u>	<u>541,910</u>	<u>4,463,947</u>	<u>255,449</u>	<u>9,130,606</u>
Operating expenses:							
Depreciation	4,972	746,349	28,011	98,958	-	-	878,290
Salaries and wages	226,188	46,175	904,218	53,804	-	-	1,230,385
Personnel benefits	118,004	23,077	426,785	24,547	4,320,246	-	4,912,659
Supplies	847,955	110	288,954	45,550	-	-	1,182,569
Services and charges	120,235	7,200	270,798	108,697	1,352	208,086	716,368
Interfund service payments	166,490	89,740	135,530	45,258	-	-	437,018
Total operating expenses	<u>1,483,844</u>	<u>912,651</u>	<u>2,054,296</u>	<u>376,814</u>	<u>4,321,598</u>	<u>208,086</u>	<u>9,357,289</u>
Operating income (loss)	<u>258</u>	<u>139,719</u>	<u>(721,468)</u>	<u>165,096</u>	<u>142,349</u>	<u>47,363</u>	<u>(226,683)</u>
Nonoperating revenues (expenses):							
Taxes	-	-	596,200	-	-	-	596,200
Intergovernmental revenues	-	-	120,984	-	-	-	120,984
Miscellaneous revenues	231	101,474	5,929	598	1,479	708	110,419
Gain (loss) on sale of capital assets	-	3,156	-	-	-	-	3,156
Debt service-interest	(646)	-	-	(165,008)	-	-	(165,654)
Total non-operating revenue (expenses)	<u>(415)</u>	<u>104,630</u>	<u>723,113</u>	<u>(164,410)</u>	<u>1,479</u>	<u>708</u>	<u>665,105</u>
Income (loss) before contributions, transfers, special items, and extraordinary items	<u>(157)</u>	<u>244,349</u>	<u>1,645</u>	<u>686</u>	<u>143,828</u>	<u>48,071</u>	<u>438,422</u>
Capital contributions	-	101,312	-	-	-	-	101,312
Transfers in	-	-	-	69,595	-	-	69,595
Transfers out	-	(69,269)	-	-	-	-	(69,269)
Change in net position	<u>(157)</u>	<u>276,392</u>	<u>1,645</u>	<u>70,281</u>	<u>143,828</u>	<u>48,071</u>	<u>540,060</u>
Total net position -- beginning	<u>159,060</u>	<u>12,451,876</u>	<u>480,144</u>	<u>3,096,131</u>	<u>89,692</u>	<u>178,890</u>	<u>16,455,793</u>
Total net position -- ending	<u>\$ 158,903</u>	<u>\$12,728,268</u>	<u>\$ 481,789</u>	<u>\$ 3,166,412</u>	<u>\$ 233,520</u>	<u>\$ 226,961</u>	<u>\$16,995,853</u>

City of Walla Walla
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended December 31, 2012

	Business-type Activities		Government-type Activities				Total Internal Service
	Vehicle Maintenance	Vehicle Replacement	Emergency Communication	Service Center	Health Insurance	Industrial Insurance	
CASH FLOWS FROM OPERATING ACTIVITIES							
Cash from customers	\$ 15,497	\$ (39,771)	\$ 1,232,696	\$ 20,280	\$ -	\$ -	\$ 1,228,702
Cash from interfund services	1,464,173	1,052,370	-	521,630	4,463,947	255,449	7,757,569
Payments to suppliers	(962,435)	(7,310)	(557,675)	(154,277)	(1,352)	(246,860)	(1,929,909)
Payments to employees	(349,379)	(63,285)	(1,307,742)	(77,205)	(4,320,246)	(25,202)	(6,143,059)
Interfund service payments	(166,490)	(89,740)	(135,530)	(45,258)	-	-	(437,018)
Net cash provided by operating activities	1,366	852,264	(768,251)	265,170	142,349	(16,613)	476,285
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES							
Cash from taxes	-	-	596,200	-	-	-	596,200
Operating grants received	-	-	120,984	-	-	-	120,984
Proceeds (repayments) from interfund loan	-	-	-	-	-	-	-
Miscellaneous revenues	(21,539)	376,097	-	-	705	-	354,558
Transfers in	-	-	5,210	69,595	-	-	5,915
Transfers out	-	(69,269)	-	-	-	-	69,595
Total cash flows from financing	(21,539)	306,828	722,394	69,595	705	-	(69,269)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES							
Purchase of capital assets	-	(1,179,112)	-	-	-	-	(1,179,112)
Capital contributions and purchases	-	101,312	-	-	-	-	101,312
Principal and interest payments	-	-	-	(265,000)	-	-	(265,000)
Proceeds from sale of capital assets	-	3,156	-	-	-	-	3,156
Total cash flows from capital and financing activities	-	(1,074,644)	-	(265,000)	-	-	(1,339,644)
CASH FLOWS FROM INVESTING ACTIVITIES							
Interest received	230	10,105	718	599	774	709	13,135
Total cash flows from investing activities	230	10,105	718	599	774	709	13,135
Net increase (decrease) in cash and equivalents	(19,943)	94,553	(45,139)	70,364	143,828	(15,904)	227,759
Beginning cash and cash equivalents	108,288	5,191,367	427,293	179,839	89,692	373,567	6,370,046
Ending cash and cash equivalents	\$ 88,345	\$ 5,285,920	\$ 382,154	\$ 250,203	\$ 233,520	\$ 357,663	\$ 6,597,805
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:							
Operating income (loss)	\$ 258	\$ 139,719	\$ (721,468)	\$ 165,096	\$ 142,349	\$ 47,363	\$ (226,683)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:							
Depreciation expense	4,972	746,349	28,011	98,958	-	-	878,290
(Increase) decrease in accounts receivable	(4,432)	(39,771)	(100,132)	-	-	-	(144,335)
(Increase) decrease in inventories	6,105	-	-	-	-	-	6,105
(Increase) decrease in prepaid expenses	-	-	(199)	-	-	(49,190)	(49,389)
Increase (decrease) in accounts payable	(350)	-	2,276	(30)	-	10,416	12,312
Increase (decrease) in salaries and benefits	(5,187)	5,967	23,261	1,146	-	(25,202)	(15)
Net cash provided by operating activities	\$ 1,366	\$ 852,264	\$ (768,251)	\$ 265,170	\$ 142,349	\$ (16,613)	\$ 476,285
No noncash investing, capital, and financing activities							

The notes to the financial statements are an integral part of this statement

“If you are going to achieve excellence in big things,
You develop the habit in little matters.
Excellence is not an exception, it is a prevailing attitude.” – Colin Powell

FIDUCIARY FUNDS

Fiduciary funds report assets held in a trustee or agency capacity for others and which therefore cannot be used to support the government's own programs.

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Pension and Other Employee Benefit Trust Funds	126
<i>Pension and other employee benefit trust funds report resources required to be held in trust for the members and beneficiaries of defined benefit pension plans, defined contribution plans, other postemployment benefit plans, or other employee benefit plans.</i>	
Agency Funds	128
<i>Agency funds report resources held by the City in a purely custodial capacity. Agency funds typically involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments.</i>	

City of Walla Walla
Combining Statement of Plan Net Position
Pension and Other Employee Benefit Trust Funds
December 31, 2012

	Fire Medical Benefits	Fire Pension Benefits	Total Pension and Other Employee Benefits
ASSETS			
Cash and equivalents	\$ 224,330	\$ 128,535	\$ 352,865
Total assets	<u>224,330</u>	<u>128,535</u>	<u>352,865</u>
LIABILITIES			
Accounts payable	2,006	-	2,006
Other accrued liabilities	-	20,354	20,354
Total liabilities	<u>2,006</u>	<u>20,354</u>	<u>22,360</u>
NET POSITION			
Held in trust for pension benefits and other purposes	<u>\$ 222,324</u>	<u>\$ 108,181</u>	<u>\$ 330,505</u>

The notes to the financial statements are an integral part of this statement.

City of Walla Walla
Combining Statement of Changes in Net Position
Pension and Other Employee Benefit Trust Funds
For the Year Ended December 31, 2012

	Fire Medical Benefits	Fire Pension Benefits	Total Pension and Other Employee Benefits
ADDITIONS			
Contributions:			
Intergovernmental revenues	\$ -	\$ 40,451	\$ 40,451
Employer contributions	696,080	272,690	968,770
Total contributions	<u>696,080</u>	<u>313,141</u>	<u>1,009,221</u>
Investment earnings:			
Interest on investments	411	214	625
Total additions	<u>696,491</u>	<u>313,355</u>	<u>1,009,846</u>
DEDUCTIONS			
Personnel benefits	673,078	267,299	940,377
Total deductions	<u>673,078</u>	<u>267,299</u>	<u>940,377</u>
Change in net position	23,413	46,056	69,469
Net Position -- beginning of the year	198,911	62,125	261,036
Net Position -- end of the year	<u>\$ 222,324</u>	<u>\$ 108,181</u>	<u>\$ 330,505</u>

The notes to the financial statements are an integral part of this statement.

City of Walla Walla
Combining Statement of Changes in Assets and Liabilities
Agency Funds
December 31, 2012

	WALNET			
	Balance January 1 2012	Additions	Deduction	Balance December 2012
ASSETS				
Cash and equivalents	\$ 42,836	\$ -	\$ 42,836	\$ -
Total assets	<u>42,836</u>	<u>-</u>	<u>42,836</u>	<u>-</u>
LIABILITIES				
Accounts payable				-
Due to other governments	42,836	-	42,836	-
Total liabilities	<u>\$ 42,836</u>	<u>\$ -</u>	<u>\$ 42,836</u>	<u>\$ -</u>

The notes to the financial statements are an integral part of this statement.

STATISTICAL SECTION

This part of the City of Walla Walla's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

<u>Contents</u>	<u>Page</u>
Financial Trends <i>These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.</i>	130
Revenue Capacity <i>These schedules contain information to help the reader assess the government's most significant local revenue source, the sales tax and the property tax.</i>	136
Debt Capacity <i>These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.</i>	147
Demographic and Economic Information <i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.</i>	152
Operating Information <i>These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.</i>	154

Sources: Unless otherwise noted, the information in the schedules is derived from comprehensive annual reports for the relevant year.

City of Walla Walla
Net Position by Component
(Accrual basis of accounting)

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007⁽¹⁾</u>	<u>2006</u>	<u>2005</u>	<u>2004*</u>
Governmental activities:									
Invested in capital assets, net of related debt	\$ 43,184,306	\$ 42,962,010	\$ 41,988,033	\$ 35,961,027	\$ 35,758,599	\$ 34,617,774	\$ 15,918,784	\$ 12,282,496	\$ 11,151,216
Restricted	916,071	185,616	220,680	175,751	133,607	154,713	162,942	17,856	4,384,694
Unrestricted	10,621,788	9,513,398	8,408,600	9,341,031	8,969,354	11,151,909	10,849,568	12,034,923	1,175,174
Total governmental activities net position	\$ 54,722,165	\$ 52,661,024	\$ 50,617,313	\$ 45,477,809	\$ 44,861,560	\$ 45,924,396	\$ 26,931,294	\$ 24,335,275	\$ 16,711,084
Business-type activities:									
Invested in capital assets, net of related debt	\$ 60,384,997	\$ 58,492,182	\$ 58,806,203	\$ 59,190,765	\$ 55,009,343	\$ 39,451,545	\$ 36,358,876	\$ 33,054,074	\$ 34,461,102
Restricted	-	-	-	-	-	-	-	3,512,482	3,313,278
Unrestricted	27,371,514	25,650,225	16,077,891	12,631,639	15,959,286	19,793,626	20,098,587	16,019,760	13,939,110
Total business-type activities net position	\$ 87,756,511	\$ 84,142,407	\$ 74,884,094	\$ 71,822,404	\$ 70,968,629	\$ 59,245,171	\$ 56,457,463	\$ 52,586,316	\$ 51,713,490
Primary government:									
Invested in capital assets, net of related debt	\$ 103,569,303	\$ 101,454,192	\$ 100,794,236	\$ 95,151,792	\$ 90,767,942	\$ 74,069,319	\$ 52,277,660	\$ 45,336,570	\$ 45,612,318
Restricted	916,071	185,616	220,680	175,751	133,607	154,713	162,942	3,530,338	7,697,972
Unrestricted	37,993,302	35,163,623	24,486,491	21,972,670	24,928,640	30,945,535	30,948,155	28,054,683	15,114,284
Total primary government net position	\$ 142,478,676	\$ 136,803,431	\$ 125,501,407	\$ 117,300,213	\$ 115,830,189	\$ 105,169,567	\$ 83,388,757	\$ 76,921,591	\$ 68,424,574

(1) A net prior period adjustment of \$17,028,891 was made to the 2007 beginning balance due to ongoing retrospective valuation of infrastructure assets.

* Year 2004 is the earliest available historical data per GASB 34 implementation

City of Walla Walla

Changes in Net Position

(Accrual basis of accounting)

	2012	2011	2010	2009	2008	2007	2006	2005	2004*
Expenses									
<u>Governmental activities:</u>									
General government	\$ 2,088,127	\$ 1,877,637	\$ 1,272,314	\$ 1,748,331	\$ 2,086,210	\$ 2,330,767	\$ 2,587,061	\$ 2,682,091	\$ 2,206,070
Public safety	14,869,930	13,722,774	14,548,204	14,041,960	12,957,589	11,930,812	11,993,877	9,638,866	10,643,115
Utilities and environment	1,976,609	1,850,115	2,252,629	2,410,889	2,194,410	1,747,603	1,654,611	1,688,267	1,395,115
Transportation	3,355,492	3,735,290	2,902,711	3,294,843	3,135,176	3,697,036	1,547,611	1,426,150	11,255
Economic environment	42,813	556,503	925,031	1,006,575	977,075	840,494	1,145,254	1,260,339	840,346
Culture and recreation	3,884,261	3,746,226	3,529,640	4,056,478	4,036,271	3,430,873	3,312,776	3,016,638	352,307
Interest on long term debt	794,914	805,229	832,691	367,901	374,770	379,826	383,325	409,300	247,324
Total governmental activities:	\$ 27,012,146	\$ 26,293,774	\$ 26,263,219	\$ 26,926,977	\$ 25,761,501	\$ 24,357,411	\$ 22,624,515	\$ 20,121,651	\$ 15,695,532
<u>Business-type activities:</u>									
Ambulance	\$ 3,599,965	\$ 3,530,191	\$ 3,390,344	\$ 3,285,123	\$ 3,325,981	\$ 3,553,703	\$ 3,168,049	\$ 2,581,533	\$ 2,611,939
Golf course	110,774	120,667	122,256	134,812	99,102	95,364	51,680	44,583	29,163
Landfill	6,112,551	893,703	2,868,474	7,488,687	3,228,911	4,341,065	2,834,223	2,019,772	1,786,140
Sanitation	4,282,557	4,239,822	4,297,310	3,863,169	4,047,618	3,644,293	3,756,424	3,272,422	3,196,846
Stormwater	929,937	992,083	714,354	690,267	743,937	719,012	597,867	556,646	511,849
Water/Wastewater	14,320,514	13,240,623	13,814,946	12,202,005	12,100,919	11,694,883	11,588,092	11,554,548	12,133,410
Total business-type activities	\$ 29,356,298	\$ 23,017,089	\$ 25,207,684	\$ 27,664,063	\$ 23,546,468	\$ 24,048,320	\$ 21,996,335	\$ 20,029,504	\$ 20,269,347
Total primary government expenses	\$ 56,368,444	\$ 49,310,863	\$ 51,470,903	\$ 54,591,040	\$ 49,307,969	\$ 48,405,731	\$ 44,620,850	\$ 40,151,155	\$ 35,964,879
Program Revenues									
<u>Governmental activities:</u>									
Charges for services:									
General government	\$ 343,963	\$ 337,511	\$ 259,343	\$ 242,093	\$ 246,721	\$ 251,868	\$ 252,900	\$ 231,730	\$ -
Public safety	555,043	392,982	515,762	509,470	644,868	1,190,975	601,909	333,696	70,689
Utilities and environment	1,154,959	1,271,038	1,604,956	1,670,017	1,279,582	1,201,515	1,061,429	1,228,070	559,473
Transportation	423,855	372,657	355,878	168,828	161,328	224,285	225,428	254,573	210,365
Economic environment	603,117	706,241	582,598	719,487	1,086,063	858,902	730,845	894,548	33,233
Culture and recreation	327,561	322,203	317,355	311,456	265,052	256,415	223,404	305,156	393,443
Operating grants and contributions	1,001,284	634,047	799,303	435,075	326,057	348,191	846,731	711,768	257,240
Capital grants and contributions	2,325,926	2,362,370	5,679,398	1,788,586	932,627	2,102,864	1,683,758	964,389	23,559
Total governmental activities program revenue	\$ 6,735,708	\$ 6,399,049	\$ 10,114,593	\$ 5,845,012	\$ 4,942,298	\$ 6,435,015	\$ 5,626,404	\$ 4,923,930	\$ 1,548,002

City of Walla Walla
Changes in Net Position (continued)
(Accrual basis of accounting)

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004*</u>
Business-type activities:									
Charges for services:									
Ambulance	\$ 2,087,991	\$ 2,097,681	\$ 2,228,244	\$ 2,005,678	\$ 2,127,791	\$ 1,918,192	\$ 1,041,752	\$ 1,133,456	\$ 1,664,269
Golf course	76,060	73,510	77,185	82,158	89,419	93,227	85,363	49,518	37,516
Landfill	3,153,082	3,225,809	3,327,597	3,195,565	3,313,955	3,143,310	2,345,856	1,986,521	1,825,043
Sanitation	4,687,252	4,636,330	4,509,943	4,174,490	3,784,891	3,864,671	3,953,997	3,514,517	3,190,804
Stormwater	1,352,572	1,316,701	1,253,731	882,822	724,404	714,426	667,222	581,882	560,937
Water/Wastewater	19,044,382	17,607,350	15,760,002	15,191,853	15,075,995	14,823,335	14,109,067	13,838,514	13,116,537
Operating grants and contributions	1,066,141	2,126,404	302,553	244,739	198,512	399,976	1,201,595	886,956	6,789
Capital grants and contributions	523,411	951,058	736,454	972,152	3,994,360	941,384	555,011	108,907	15,133
Total business-type activities program revenue	\$ 31,990,891	\$ 32,034,843	\$ 28,195,709	\$ 26,749,457	\$ 29,309,327	\$ 25,898,521	\$ 23,959,863	\$ 22,100,271	\$ 20,417,028
Total primary government program revenue	\$ 38,726,599	\$ 38,433,892	\$ 38,310,302	\$ 32,594,469	\$ 34,251,625	\$ 32,333,536	\$ 29,586,267	\$ 27,024,201	\$ 21,965,030
Net (expense)/revenue:									
Governmental activities	\$ (20,276,438)	\$ (19,894,725)	\$ (16,148,626)	\$ (21,081,965)	\$ (20,819,203)	\$ (17,922,396)	\$ (16,998,111)	\$ (15,197,721)	\$ (14,147,530)
Business-type activities	2,634,593	9,017,754	2,988,025	(914,606)	5,762,859	1,850,201	1,963,528	2,070,767	147,681
Total primary government net expense	\$ (17,641,845)	\$ (10,876,971)	\$ (13,160,601)	\$ (21,996,571)	\$ (15,056,344)	\$ (16,072,195)	\$ (15,034,583)	\$ (13,126,954)	\$ (13,999,849)
General Revenues and Other Changes									
Governmental activities:									
Taxes									
Property tax	\$ 6,254,026	\$ 5,964,834	\$ 5,926,165	\$ 5,780,071	\$ 4,575,216	\$ 4,458,320	\$ 4,335,642	\$ 4,034,359	\$ 3,883,778
Sales tax	6,537,878	5,881,627	5,687,489	6,134,841	6,646,811	6,248,205	6,078,419	5,584,847	4,677,645
Other taxes	6,740,308	6,535,487	6,120,433	6,331,078	6,196,929	6,360,753	5,976,245	5,447,517	4,834,269
Intergovernmental	2,199,495	2,121,393	2,008,115	2,019,358	2,133,248	2,102,588	2,095,669	2,708,949	1,929,136
Miscellaneous general revenue	27,910	26,393	52,701	40,292	268,985	489,058	635,717	778,463	1,748,429
Gain on sale of assets	-	33,521	-	-	-	-	163,585	-	-
Transfers	577,962	1,375,181	1,493,227	531,109	(35,766)	1,301,489	308,853	(89,401)	197,500
Total governmental activities general revenue	\$ 22,337,579	\$ 21,938,436	\$ 21,288,130	\$ 20,836,749	\$ 19,785,423	\$ 20,960,413	\$ 19,594,130	\$ 18,464,734	\$ 17,270,757
Business-type activities:									
Intergovernmental	\$ 1,240,450	\$ 1,251,569	\$ 1,217,964	\$ 1,250,410	\$ 903,647	\$ 935,070	\$ 955,669	\$ 909,538	\$ 688,628
Miscellaneous general revenue	314,137	353,819	348,921	486,027	744,451	1,121,579	883,726	658,189	762,889
Gain on sale of assets	3,156	10,352	-	10,857	13,610	-	277,077	35,535	-
Transfers	(577,962)	(1,375,181)	(1,493,227)	(531,109)	35,766	(1,301,489)	(208,853)	89,401	(197,500)
Total business-type activities general revenue	\$ 979,781	\$ 240,559	\$ 73,658	\$ 1,216,185	\$ 1,697,474	\$ 755,160	\$ 1,907,619	\$ 1,692,663	\$ 1,254,017
Total primary government	\$ 23,317,360	\$ 22,178,995	\$ 21,361,788	\$ 22,052,934	\$ 21,482,897	\$ 21,715,573	\$ 21,501,749	\$ 20,157,397	\$ 18,524,774
Change in Net Position									
Governmental activities	\$ 2,061,141	\$ 2,043,711	\$ 5,139,504	\$ (245,216)	\$ (1,033,780)	\$ 3,038,017	\$ 2,596,019	\$ 3,267,013	\$ 3,123,227
Business-type activities	3,614,374	9,258,313	3,061,683	301,579	7,460,333	2,605,361	3,871,147	3,763,430	1,401,698
Total primary government	\$ 5,675,515	\$ 11,302,024	\$ 8,201,187	\$ 56,363	\$ 6,426,553	\$ 5,643,378	\$ 6,467,166	\$ 7,030,443	\$ 4,524,925

* Year 2004 is the earliest available historical data per GASB 34 implementation

City of Walla Walla
Fund Balances of Governmental Funds
(Modified accrual basis of accounting)

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004*</u>
General Fund (Per GASB 54)⁽¹⁾									
Nond spendable	\$ 48,844	\$ 34,638							
Restricted	888,642	158,239							
Committed	11,052	7,377							
Assigned	-	-							
Unassigned	3,298,864	3,039,942							
General fund (Prior GASB 54)⁽¹⁾									
Reserved	-	-	445,580	177,337	106,358	128,070	140,069	-	-
Unreserved	-	-	1,868,624	2,315,670	2,771,992	3,724,050	2,920,639	3,338,148	2,353,785
Total general fund	\$ 4,247,402	\$ 3,240,196	\$ 2,314,204	\$ 2,493,007	\$ 2,878,350	\$ 3,852,120	\$ 3,060,708	\$ 3,338,148	\$ 2,353,785
All Other Governmental Funds (Per GASB 54)⁽¹⁾									
Nond spendable	\$ 17,790	\$ 32,146							
Restricted	1,595,196	2,088,025							
Committed	2,247,092	2,447,204							
Assigned	104,902	130,434							
Unassigned	(358,833)	(488,292)							
All Other Governmental Funds (Prior GASB 54)⁽¹⁾									
Reserved	-	-	850,006	844,823	823,273	795,196	1,045,643	738,217	4,169,487
Unreserved, reported in:									
Special revenue funds	-	-	1,262,193	1,021,855	1,129,100	1,264,892	1,064,651	1,376,389	2,620,345
Debt service funds	-	-	221,151	186,096	495,144	359,635	267,806	278,499	215,207
Capital project funds	-	-	10,370,535	11,119,318	757,412	1,619,036	2,059,233	3,299,945	1,370,428
Permanent funds	-	-	19,090	18,564	37,144	45,432	35,643	56,086	67,271
Total other governmental funds	\$ 3,606,147	\$ 4,209,517	\$ 12,722,975	\$ 13,190,656	\$ 3,242,073	\$ 4,084,191	\$ 4,472,976	\$ 5,749,136	\$ 8,442,738

* Year 2004 is the earliest available historical data per GASB 34 implementation

⁽¹⁾ Prior to 2011 and the implementation of GASB 54, fund balances were classified as Reserved or Unreserved
Under GASB 54 fund balances are classified as Nond spendable, Reserved, Committed, Assigned, or Unassigned.

City of Walla Walla **Changes in Fund Balances of Governmental Funds**

Last Nine Fiscal Years*

(Modified accrual basis of accounting)

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004*</u>
Revenues									
Taxes	\$ 18,694,349	\$ 17,961,449	\$ 17,181,308	\$ 16,611,739	\$ 16,841,399	\$ 16,787,490	\$ 15,650,755	\$ 15,017,271	\$ 13,039,718
Licenses and permits	759,407	833,201	609,565	700,973	964,093	807,576	765,669	1,061,407	702,707
Intergovernmental	3,667,660	3,296,987	4,727,086	3,619,535	2,298,529	3,033,975	3,778,599	2,509,983	1,759,213
Charges for goods and services	6,081,043	6,049,680	6,893,718	6,581,763	5,679,186	5,203,535	4,676,832	4,344,530	3,824,678
Fines and forfeits	278,038	282,355	304,466	301,911	359,050	784,510	317,153	244,642	257,379
Miscellaneous revenues	1,295,681	550,889	394,948	388,841	757,583	1,036,052	751,802	1,893,912	-
Other income (expenses)	-	-	-	-	-	-	-	12,670	819,752
Total revenues	\$ 30,776,178	\$ 28,974,561	\$ 30,111,091	\$ 28,204,762	\$ 26,899,840	\$ 27,653,138	\$ 25,940,810	\$ 25,084,415	\$ 20,403,447

Expenditures

Current:

General government	\$ 5,899,717	\$ 5,606,512	\$ 5,506,634	\$ 5,666,282	\$ 5,448,438	\$ 5,233,073	\$ 5,211,056	\$ 5,502,567	\$ 4,311,470
Public safety	13,127,711	12,710,585	12,537,110	12,307,401	11,623,729	10,929,395	10,938,288	8,940,838	8,875,037
Utilities and environment	1,992,305	1,868,845	2,327,038	2,466,834	2,155,795	1,792,849	1,696,620	1,650,164	1,401,286
Transportation	1,728,705	1,992,451	1,546,263	1,373,395	1,691,921	2,227,380	1,413,103	1,365,803	1,080,213
Economic environment	42,813	556,503	996,500	1,014,531	972,451	842,221	1,166,016	1,238,411	834,529
Culture and recreation	3,710,615	3,549,324	3,406,847	3,898,419	3,819,310	3,269,666	3,202,117	2,863,217	2,603,621
Debt service:									
Principal retirement	754,595	752,973	1,112,973	337,973	321,352	316,352	541,351	606,337	585,000
Interest	644,259	650,653	686,624	213,335	223,310	238,522	240,763	398,136	266,116
Administrative charges	1,382	1,381	13,823	1,260	1,269	1,266	1,266	11,164	-
Capital outlay:									
General government	81,389	109,424	71,127	107,941	110,733	98,611	209,408	234,381	147,482
Public safety	362,577	7,672,849	1,315,702	1,118,552	167,758	29,009	771,197	2,768,497	179,250
Utilities and environment	-	-	6,059	13,461	-	-	10,196	-	556,338
Transportation	2,520,211	2,432,470	4,012,258	1,971,844	1,955,435	3,314,025	1,948,567	399,791	18,942
Economic environment	-	16,936	206,163	-	-	-	-	-	-
Culture and recreation	-	24,320	-	224,719	112,435	187,878	446,193	1,083,078	758
Total expenditures	\$ 30,866,279	\$ 37,945,226	\$ 33,745,121	\$ 30,715,947	\$ 28,603,936	\$ 28,480,247	\$ 27,796,141	\$ 27,062,384	\$ 20,860,042
Excess revenues over (under) expenditures	\$ (90,101)	\$ (8,970,665)	\$ (3,634,030)	\$ (2,511,185)	\$ (1,704,096)	\$ (827,109)	\$ (1,855,331)	\$ (1,977,969)	\$ (456,595)

City of Walla Walla
Changes in Fund Balances of Governmental Funds (continued)

Last Nine Fiscal Years*

(Modified accrual basis of accounting)

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004*</u>
Other financing sources (uses)									
Transfers in	\$ 2,089,174	\$ 3,153,663	\$ 3,402,196	\$ 1,384,455	\$ 3,028,761	\$ 2,790,017	\$ 2,233,973	\$ 3,759,895	\$ 3,717,595
Transfers out	(1,580,807)	(1,854,812)	(2,019,031)	(1,083,128)	(3,217,646)	(1,560,280)	(2,106,082)	(3,741,674)	(3,520,095)
Insurance recoveries	9,198	50,828	283,114	13,720	77,094				
Bonds issued	-	-	1,260,000	11,595,000	-	-	-	-	-
Premium on bonds issued	-	-	61,298	126,787	-	-	-	-	-
Proceeds from debt	-	-	-	-	-	-	-	400,000	4,500,000
Proceeds from disposal of capital assets	-	33,521	-	8,000	-	-	173,839	-	-
Total other financing sources (uses)	\$ 517,565	\$ 1,383,200	\$ 2,987,577	\$ 12,044,834	\$ (111,791)	\$ 1,229,737	\$ 301,730	\$ 418,221	\$ 4,697,500
Net change in fund balances	\$ 427,464	\$ (7,587,465)	\$ (646,453)	\$ 9,533,649	\$ (1,815,887)	\$ 402,628	\$ (1,553,601)	\$ (1,559,748)	\$ 4,240,905
Debt service as a percentage of noncapital expenditures	5.28%	5.34%	6.84%	2.06%	2.12%	2.28%	3.31%	4.66%	4.45%

* Year 2004 is the earliest available historical data per GASB 34 implementation

City of Walla Walla
Governmental Activities Tax Revenue by Source
(Accrual basis of accounting)

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004*</u>
Property tax	\$ 6,254,026	\$ 5,964,834	\$ 5,926,165	\$ 5,780,071	\$ 4,575,216	\$ 4,458,320	\$ 4,335,642	\$ 4,034,359	\$ 3,527,804
Sales tax	6,537,878	5,881,627	5,687,489	6,134,841	6,646,811	6,248,205	6,078,419	5,584,847	4,677,645
Payment in lieu of tax	2,573,264	2,461,493	2,296,596	2,152,560	2,278,219	2,214,284	2,104,897	2,082,949	1,840,059
Business and occupation tax	3,075,359	3,139,605	3,137,873	3,464,751	3,050,559	3,176,692	2,801,949	2,604,885	2,450,289
Gambling tax	25,691	88,872	108,771	135,422	163,759	227,767	233,612	289,053	276,432
Real estate excise tax	225,353	181,063	188,777	192,846	290,268	322,658	466,905	410,820	229,932
Leasehold tax	30,839	31,009	27,258	30,831	64,193	68,770	55,705	59,810	37,557
E911 Access Tax	596,200	417,874	342,780	354,668	349,931	350,581	313,176	-	-
Tourism Promotion Area Tax	213,602	215,571	18,378	-	-	-	-	-	-
Total taxes	\$19,532,212	\$18,381,948	\$17,734,087	\$18,245,990	\$17,418,956	\$17,067,277	\$16,390,305	\$15,066,723	\$13,039,718

*Year 2004 is the earliest available historical data per GASB 34 implementation

City of Walla Walla Property Tax Rates

Direct and Overlapping Governments ⁽¹⁾
Last Ten Years (and next year)

Fiscal Year	City of Walla Walla				Overlapping Rates				Total Direct & Overlapping Rates				
					Walla Walla County					Walla Walla School District			
	Operating Millage	Debt Service Millage	Total City Millage		Operating Millage	Debt Service Millage	Total County Millage			Operating Millage	Debt Service Millage	Total District Millage	
2013	2.517	0.610	3.127		1.486	-	1.486		3.649	1.249	4.898	9.511	
2012	2.386	0.607	2.993		1.498	-	1.498		3.595	1.269	4.864	9.355	
2011	2.381	0.606	2.987		1.494	-	1.494		3.409	1.301	4.710	9.191	
2010	2.395	0.590	2.985		1.517	0.076	1.593		3.290	1.267	4.557	9.135	
2009	2.236	-	2.236		1.450	0.070	1.52		2.940	1.066	4.006	7.762	
2008	2.287	0.200	2.487		1.567	0.071	1.638		3.086	1.190	4.277	8.402	
2007	2.613	0.235	2.848		1.701	0.091	1.792		3.528	1.551	5.079	9.719	
2006	2.889	0.283	3.172		1.788	0.099	1.887		3.847	1.577	5.424	10.483	
2005	2.883	0.273	3.156		1.758	0.101	1.859		3.708	1.846	5.554	10.569	
2004	2.906	-	2.906		1.758	0.101	1.859		3.708	1.846	5.554	10.319	
2003	2.952	-	2.952		1.757	0.111	1.868		3.739	1.590	5.329	10.149	

Source: Provided in the County Assessment Guide by the Assessor's Office

Note:

(1) Overlapping rates are those of local and county governments that apply to property owners within the City of Walla Walla. Not all overlapping rate apply to all City of Walla Walla property owners (e.g., the rates for special districts apply only to the proportion of the government's property owner whose property is located within the geographic boundaries of the special district.

City of Walla Walla
Assessed Value of Taxable Property
Last Ten Years (and Next Year)

Fiscal Year	Real Property Value	Personal Property Value	State Assessed Value	Less: Open Space Loss	Less: Senior Loss	Less: Head of Household Loss	Less: Minimum Value Loss	Total Taxable Assessed Value	Total Direct Tax Rate
2013	\$ 1,949,683,000	\$ 74,531,270	\$ 45,556,053	\$ 2,126,000	\$ 60,941,100	\$ 967,312	\$ 12,051	\$ 2,005,723,860	3.1267
2012	1,943,952,000	73,572,252	50,888,881	2,043,600	66,371,700	1,044,125	10,458	1,998,943,250	2.9934
2011	1,941,762,300	76,134,762	45,870,117	2,053,500	70,845,100	1,137,779	12,677	1,989,718,123	2.9879
2010	1,892,238,900	77,077,453	41,667,687	2,179,700	66,148,200	1,183,746	7,121	1,941,465,273	2.9852
2009	2,007,951,200	73,227,804	44,635,592	2,184,300	76,759,100	1,489,045	8,824	2,045,373,327	2.2369
2008	1,755,744,100	70,919,566	42,356,780	1,714,600	71,077,500	1,651,914	9,106	1,794,567,326	2.4866
2007	1,475,258,200	66,968,757	34,853,739	482,500	55,718,300	606,849	6,900	1,520,266,147	2.8487
2006	1,205,368,700	69,660,084	38,929,740	237,300	46,449,200	572,323	11,800	1,266,687,901	3.1718
2005	1,187,515,500	69,665,752	40,468,384	262,100	47,933,713	included in senior loss		1,249,453,823	3.1555
2004	1,127,390,100	66,605,376	46,210,170	261,200	34,426,468	included in senior loss		1,205,517,978	2.9063
2003	1,067,131,600	66,457,684	48,503,810	17,400	24,642,216	included in senior loss		1,157,433,478	2.9519

Source: County Assessor's Office
The County assesses property at 100% of actual value

City of Walla Walla
Walla Walla County Top Ten Principal Property Taxpayers
 Current Year and Nine Years Ago*

	2012			2004*		
	Total	Rank	Percentage of Assessed Taxes	Total	Rank	Percentage of Assessed Taxes
<u>County Taxpayers</u>						
Boise Cascade	\$ 2,541,498	1	4.14%	\$ 3,119,556	1	7.50%
Gas Transmission Northwest	922,409	2	1.50%	535,325	3	1.29%
Ralph & Cheryl Broetje (Broetje Orchards)	936,306	3	1.53%	455,681	6	1.10%
FPL Energy Vansycle LLC	707,708	4	1.15%			
Pacific Corp	664,156	5	1.08%	530,142	4	1.27%
Union Pacific Railroad C.O.	527,160	6	0.86%	247,537	9	0.60%
I.B.P. Inc (Tyson Fresh Meats)	449,202	7	0.73%	479,058	5	1.15%
J.R. Simplot Company	412,051	8	0.67%	310,459	7	0.75%
Raillex LLC	286,977	9	0.47%			
Qwest Corp	243,860	10	0.40%			
Ponderosa Fibres of America				768,942	2	1.85%
U.S. West Communication				262,976	8	0.63%
Northwest Grain Growers				226,451	10	0.54%

Source: *2004 is the earliest available historical data

2004 data provided by the Port of Walla Walla - Walla Walla County Quick Facts.

2012 data provided by the County Assessor's Office.

City of Walla Walla
Property Tax Levies and Collections
 Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Total Tax Levy for Fiscal Year</u>	<u>Collected within the Fiscal Year of the Levy</u>		<u>Collections in Subsequent Years</u>	<u>Total Collections to Date</u>	
		<u>Amount</u>	<u>% of Levy</u>		<u>Amount</u>	<u>% of Levy</u>
2012	\$ 5,983,637	\$ 5,865,172	98.0%	\$ -	\$ 5,865,172	98.0%
2011	5,945,079	5,806,884	97.7%	91,061	5,897,945	99.2%
2010	5,795,662	5,636,871	97.3%	134,607	5,771,478	99.6%
2009	4,575,296	4,397,339	96.1%	163,078	4,560,417	99.7%
2008	4,462,371	4,303,042	96.4%	150,395	4,453,437	99.8%
2007	4,330,782	4,213,839	97.3%	107,110	4,320,949	99.8%
2006	4,017,681	3,922,342	97.6%	95,339	4,017,681	100.0%
2005	3,942,652	3,802,161	96.4%	140,491	3,942,652	100.0%
2004	3,503,597	3,393,955	96.9%	109,642	3,503,597	100.0%
2003	3,416,628	3,227,426	94.5%	189,202	3,416,628	100.0%

Source: December's County Treasurer's monthly report of tax collections.

City of Walla Walla
Local Sales and Use Taxable Retail Sales by Industry
Last Ten Fiscal Years ⁽¹⁾

NAICS	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
11 Agriculture, Forestry, Fishing and Hunting	\$ 998,635	\$ 440,249	\$ 259,086	\$ 367,460	\$ 281,795	\$ 964,952	\$ 815,183	\$ 790,750	\$ 521,464	\$ 499,205
21 Mining	20,076	8,263	-	-	-	47,059	-	-	-	-
22 Utilities	247,597	146,413	1,217,774	1,799,040	1,349,139	1,249,641	920,302	1,022,869	1,262,786	1,351,776
23 Construction	81,427,416	62,587,997	104,112,247	133,790,392	113,765,933	141,035,263	109,108,842	70,681,604	58,739,677	59,216,428
31-33 Manufacturing	11,061,333	12,967,022	12,497,611	14,620,878	11,858,392	11,253,131	12,809,101	13,005,316	10,693,914	9,369,367
42 Wholesale Trade	46,016,643	43,465,905	49,164,232	50,976,282	53,090,838	46,557,529	40,038,660	42,150,250	40,253,261	36,875,558
44-45 Retail Trade	184,775,496	189,534,010	195,968,182	201,935,494	207,160,060	196,463,736	200,833,041	187,458,113	182,424,166	183,583,317
48-49 Transportation and Warehousing	810,522	1,071,859	579,472	710,682	698,613	924,421	1,562,928	342,503	305,926	346,571
51 Information	22,750,383	21,422,121	23,595,659	23,523,134	22,905,585	23,078,867	20,481,230	19,958,659	19,955,687	23,480,482
52 Finance and Insurance	3,935,159	3,556,762	3,555,265	4,288,099	2,900,953	2,690,656	3,031,382	3,933,545	4,416,345	3,789,903
53 Real Estate and Rental and Leasing	7,352,468	8,160,359	8,374,609	7,389,271	7,207,386	6,404,047	6,538,371	8,084,248	7,717,889	7,499,504
54 Professional, Scientific, and Technical Services	9,337,468	7,861,467	7,788,402	6,721,636	7,658,558	8,934,577	6,583,438	6,433,626	5,129,176	4,991,531
55-62 Management, Education, and Health Services	14,752,764	13,707,230	15,755,833	16,763,226	14,293,790	13,335,184	12,679,655	13,444,152	10,975,247	10,374,891
71 Arts, Entertainment, and Recreation	4,141,316	4,059,648	4,021,263	3,892,803	4,236,841	4,146,555	3,850,786	3,906,969	4,083,578	4,031,332
72 Accommodation and Food Services	74,397,364	69,862,111	66,520,917	68,934,057	64,136,938	57,468,149	53,612,711	48,721,699	45,032,909	44,294,049
81 Other Services (except Public Administration)	19,650,008	20,363,208	14,793,562	17,674,837	16,627,595	16,069,061	15,738,508	15,204,478	15,651,750	15,187,215
92 Public Administration	445,152	367,979	561,762	5,035,384	3,944,582	3,027,864	1,896,665	1,222,981	1,120,923	1,314,063
No Description given	-	-	-	-	-	-	-	-	17,219	-
Total Local Sales and Use Taxable Retail Sales	\$ 482,119,800	\$ 459,582,603	\$ 508,765,876	\$ 558,422,675	\$ 532,116,998	\$ 533,650,692	\$ 490,500,803	\$ 436,361,762	\$ 408,301,917	\$ 406,205,192
City of Walla Walla Sales & Use Tax Rates										
Local Basic	0.425%	\$ 2,049,009	\$ 1,953,226	\$ 2,373,296	\$ 2,261,497	\$ 2,268,015	\$ 2,084,628	\$ 1,854,537	\$ 1,735,283	\$ 1,726,372
Local Optional	0.425%	2,049,009	1,953,226	2,373,296	2,261,497	2,268,015	2,084,628	1,854,537	1,735,283	1,726,372
Criminal Justice	0.100%	482,120	459,583	508,766	532,117	533,651	490,501	436,362	408,302	406,205
Public Safety	0.090%	433,908	413,624	457,889	478,905	480,286	441,451	392,726	367,472	-
Total City of Walla Walla Sales & Use Tax ⁽²⁾	1.040%	\$ 5,014,046	\$ 4,779,659	\$ 5,291,165	\$ 5,534,016	\$ 5,549,967	\$ 5,101,208	\$ 4,538,162	\$ 4,246,340	\$ 3,858,949
State Sales & Use Tax Rate	6.500%									
Valley Transit	0.600%									
Walla Walla County Sales & Use Tax Rates										
Local Basic	0.075%									
Local Optional	0.075%									
Public Safety	0.210%									
Juvenile Justice/Detention	0.100%									
Total Walla Walla County Sales & Use Tax Rate	0.460%									
Total Local Sales & Use Tax Rate	8.600%									

Source: WA State Department of Revenue

⁽¹⁾ 2011 is the latest annual data available.

⁽²⁾ Calculated sales and use taxes above will not equal reported total sales tax revenue as taxes on Brokered Natural Gas and Hotel/Motel taxes are not included. There is also a timing difference between reported taxable sales above and the period the taxes are collected and reported.

City of Walla Walla
Combined Water Utility and Wastewater Utility Operating Statement
 (Year Ending December 31)

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Revenues ⁽¹⁾										
Charges for Water Services	\$ 9,839,557	\$ 9,111,296	\$ 8,250,027	\$ 8,039,618	\$ 8,119,978	\$ 7,928,557	\$ 7,522,723	\$ 7,178,728	\$ 6,924,566	\$ 6,397,179
Charges for Wastewater Services	8,914,574	8,481,396	7,498,277	7,105,207	6,868,450	6,833,431	6,570,756	6,659,786	6,191,971	5,734,621
Miscellaneous	-	53,118	148,685	13,215	630,000	232,037	126,987	54,075	38,132	-
Interest Income	486,447	214,429	216,771	273,287	510,695	652,295	671,947	486,544	381,508	335,205
Contributions	387,834	873,199	340,787	473,772	2,895,478	929,640	510,385	108,907	78,587	33,792
Total Revenues	\$ 19,628,412	\$ 18,733,438	\$ 16,454,547	\$ 15,905,099	\$ 19,024,601	\$ 16,575,960	\$ 15,402,798	\$ 14,488,040	\$ 13,614,764	\$ 12,500,797
Expenses ⁽²⁾										
Personnel Services	\$ 1,509,860	\$ 1,410,031	\$ 1,386,383	\$ 1,257,225	\$ 1,338,152	\$ 1,327,563	\$ 1,241,980	\$ 1,220,538	\$ 1,312,952	\$ 1,302,383
Supplies	427,014	53,998	994,849	332,995	489,341	559,957	449,933	423,014	398,508	304,682
Services/Charges	3,070,387	2,680,107	2,905,518	2,457,678	2,364,047	2,236,590	2,332,356	2,990,325	2,308,727	2,929,221
Governmental Charges	5,260,635	4,889,174	5,026,399	4,785,148	4,338,035	4,003,268	3,982,404	3,943,670	3,388,411	3,232,783
Bad Debt Expense	-	-	568	1,238	298	439	573	2,676	8,584	46
Total Expenses	\$ 10,267,896	\$ 9,033,310	\$ 10,313,717	\$ 8,834,284	\$ 8,529,873	\$ 8,127,817	\$ 8,007,246	\$ 8,580,223	\$ 7,417,182	\$ 7,769,115
Net Revenue of System	\$ 9,360,516	\$ 9,700,128	\$ 6,140,830	\$ 7,070,815	\$ 10,494,728	\$ 8,448,143	\$ 7,395,552	\$ 5,907,817	\$ 6,197,582	\$ 4,731,682

⁽¹⁾ Excludes transfers-in/out

⁽²⁾ Excludes depreciation, debt service and non-operating expenditure;

City of Walla Walla
System Historical Operating Results and Debt Service Coverage
 (Year Ending December 31)

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Revenues of the System										
Operating Income	\$ 18,754,131	\$ 17,592,692	\$ 15,748,304	\$ 15,144,825	\$ 14,988,428	\$ 14,761,988	\$ 14,093,479	\$ 13,838,514	\$ 13,116,537	\$ 12,131,800
Other Income	874,281	1,140,746	706,243	760,274	4,036,173	1,813,972	1,309,319	649,526	498,227	368,997
Total Revenues	\$ 19,628,412	\$ 18,733,438	\$ 16,454,547	\$ 15,905,099	\$ 19,024,601	\$ 16,575,960	\$ 15,402,798	\$ 14,488,040	\$ 13,614,764	\$ 12,500,797
Costs of Maintenance and Operation	\$ 10,267,896	\$ 9,033,310	\$ 10,313,717	\$ 8,834,284	\$ 8,529,873	\$ 8,127,817	\$ 8,007,246	\$ 8,580,223	\$ 7,417,182	\$ 7,769,115
Net Revenue Available for Debt Service	\$ 9,360,516	\$ 9,700,128	\$ 6,140,830	\$ 7,070,815	\$ 10,494,728	\$ 8,448,143	\$ 7,395,552	\$ 5,907,817	\$ 6,197,582	\$ 4,731,682
Maximum Annual Debt Service	\$ 3,036,339	\$ 3,036,339	\$ 3,036,339	\$ 3,036,339	\$ 3,250,340	\$ 3,265,178	\$ 3,265,178	\$ 3,351,055	\$ 3,351,055	\$ 3,351,055
Debt Ratio	3.08	3.19	2.02	2.33	3.23	2.59	2.26	1.76	1.85	1.41

City of Walla Walla
Water/Wastewater Various Rates and Capital Facility Charges

Last eight years*

Water Utility Monthly Meter Charges

Meter Size (inches)	2012	2011	2010	2009	2008	2007	2006	2005
3/4	\$ 23.80	\$ 22.20	\$ 20.40	\$ 19.08	\$ 18.61	\$ 18.07	\$ 17.54	\$ 16.36
1	47.40	44.30	40.60	37.97	37.04	35.96	34.91	32.57
1 1/2	94.90	88.70	81.40	76.03	74.18	72.02	69.92	65.24
2	151.90	142.00	130.30	121.75	118.78	115.32	111.96	104.46
3	284.30	265.70	243.80	227.89	222.33	215.85	209.56	195.53
4	474.30	443.30	406.70	380.08	370.81	360.01	349.53	326.12
6	953.70	891.30	817.70	764.24	745.60	723.88	702.80	655.70
8	1,423.00	1,329.90	1,220.10	1,140.27	1,112.46	1,080.06	1,048.60	978.38
10	1,897.20	1,773.10	1,626.70	1,520.24	1,483.16	1,439.96	1,398.02	1,304.40

Water Utility Consumption Charges per 100 Cubic Feet

Customer Class	2012	2011	2010	2009	2008	2007	2006	2005
Residential	\$ 1.35	\$ 1.26	\$ 1.16	\$ 1.08	\$ 1.05	\$ 1.02	\$ 0.99	\$ 0.92
Commercial	1.00	0.93	0.85	0.79	0.77	0.75	0.73	0.68
Industrial	1.04	0.97	0.89	0.83	0.81	0.79	0.77	0.72
Public	1.00	0.93	0.85	0.79	0.77	0.75	0.73	0.68

Water Utility Connection Charges for Permanent Meters

	2012	2011	2010	2009	2008	2007	2006	2005
Meter Installation Fee-3/4"	\$ 494.00	\$ 462.00	\$ 424.00	\$ 396.00	\$ 385.00	\$ 383.93	\$ 372.75	\$ 315.00
Meter Installation Fee-1" or larger	Actual cost	Actual cost	Actual cost	Actual cost	Actual cost	Actual cost	Actual cost	Actual cost
Service connection charge-1" service line	\$547.00 plus applicable fees	\$511.00 plus applicable fees	\$469.00 plus applicable fees	\$438.00 plus applicable fees	\$425.00 plus actual excess costs	\$412.00 plus actual excess costs	\$400.00 plus actual excess costs	400.00
Service connection charge-larger than 1" service line	Actual cost	Actual cost	Actual cost	Actual cost	Actual cost	Actual cost	Actual cost	Actual cost

* Fee structure changed as of 2005 and information prior to that date is therefore not included here.

City of Walla Walla
Water/Wastewater Various Rates and Capital Facility Charges (continued)

		Water Capital Facilities Charges ⁽¹⁾							
Meter Size (inches)		2012	2011	2010	2009	2008	2007	2006	2005
5/8 & 3/4		\$ 1,785.00	\$ 1,785.00	\$ 1,785.00	\$ 1,785.00	\$ 1,785.00	\$ 1,785.00	\$ 1,785.00	N/A
1		2,981.00	2,981.00	2,981.00	2,981.00	2,981.00	2,981.00	2,981.00	N/A
1 1/2		5,944.00	5,944.00	5,944.00	5,944.00	5,944.00	5,944.00	5,944.00	N/A
2		9,514.00	9,514.00	9,514.00	9,514.00	9,514.00	9,514.00	9,514.00	N/A
3		19,046.00	19,046.00	19,046.00	19,046.00	19,046.00	19,046.00	19,046.00	N/A
4		29,810.00	29,810.00	29,810.00	29,810.00	29,810.00	29,810.00	29,810.00	N/A
Charge per fixture unit values		78.64	78.64	78.64	78.64	78.64	78.64	78.64	N/A

⁽¹⁾Water Capital Facility Charges replaced connection fees in 2006

		Water Capital Facilities Functional Unit Cost Credit Factor							
Function		2012	2011	2010	2009	2008	2007	2006	2005
Customer		\$ 40.82	\$ 40.82	\$ 40.82	\$ 40.82	\$ 40.82	\$ 40.82	\$ 40.82	N/A
Fire storage		122.18	122.18	122.18	122.18	122.18	122.18	122.18	N/A
Equalizing storage		91.23	91.23	91.23	91.23	91.23	91.23	91.23	N/A
Emergency storage		91.23	91.23	91.23	91.23	91.23	91.23	91.23	N/A
Supply		493.53	493.53	493.53	493.53	493.53	493.53	493.53	N/A
Transmission and distribution		754.73	754.73	754.73	754.73	754.73	754.73	754.73	N/A
Treatment		192.06	192.06	192.06	192.06	192.06	192.06	192.06	N/A
Total		1,785.00	1,785.00	1,785.00	1,785.00	1,785.00	1,785.00	1,785.00	N/A

Water and Wastewater Fixture Unit Values by Fixture Type

Type of Fixture	Fixture Unit Value
Bar sink	1.0
Bath tub	4.0
Bath/Shower combo	4.0
Bidet	1.0
Clothes washer, domestic	4.0
Dishwasher, domestic	1.5
Hose bibb	2.5
Hose bibb, each additional	1.0
Kitchen sink, domestic	1.5
Laundry sink	1.5
Lavatory	1.0
Shower	2.0
Water Closet, 1.6 GPF Gravity Tank	2.5
Water Closet, 1.6 GPF Flushometer valve	To be determined by Public Works
Fixtures not listed above	To be determined by Public Works

City of Walla Walla
Water/Wastewater Various Rates and Capital Facility Charges (continued)

Wastewater Utility Rates
(For First 800 Cubic Feet or Less)

Customers connected to the Wastewater Utility ⁽¹⁾	Total Monthly Charge						
	2012	2011	2010	2009	2008	2007	2005
Residential	\$ 45.90	\$ 43.70	\$ 39.70	\$ 36.42	\$ 35.29	\$ 34.60	\$ 32.40
Multi-Family Residences (per unit)	27.50	26.20	23.80	21.82	21.14	20.73	19.60
Commercial	45.00	42.90	39.00	35.75	34.65	33.97	31.81
Public	54.20	51.60	46.90	43.05	41.72	40.90	38.30
Industrial	57.50	54.80	49.80	45.70	44.28	43.41	40.26
City of Walla Walla	13.40	12.80	11.60	10.65	10.32	10.12	9.49
Metered Water Utility customers to whom wastewater service is available (but not connected)							
Residential	\$ 33.20	\$ 31.60	\$ 28.70	\$ 26.34	\$ 25.52	\$ 25.02	\$ 23.41
Multi-Family Residences (per unit)	20.10	19.10	17.40	16.00	15.50	15.20	14.36
Commercial	31.80	30.30	27.50	25.25	24.47	23.99	23.07
Public	38.90	37.00	33.60	30.84	29.88	29.29	27.41
Industrial	41.20	39.20	35.60	32.67	31.66	31.04	28.77
City of Walla Walla	13.40	12.80	11.60	10.65	10.32	10.12	9.49

⁽¹⁾ A consumption fee is charged to commercial and industrial customers for each 100 cu ft of water used over the 800 cu ft minimum

Wastewater Capital Facilities Charges ⁽²⁾

	2012	2011	2010	2009	2008	2007	2006	2005
Per total number of fixture unit values	\$ 109.00	\$ 109.00	\$ 109.00	\$ 109.00	\$ 109.00	\$ 109.00	\$ 109.00	N/A
Strength component charge-BOD	16.87	16.87	16.87	16.87	16.87	16.87	16.87	N/A
Strength component charge-total suspended solids	16.87	16.87	16.87	16.87	16.87	16.87	16.87	N/A
Strength component charge-pH	6.75	6.75	6.75	6.75	6.75	6.75	6.75	N/A
Side sewer charge	974.00	928.00	844.00	774.00	750.00	772.50	750.00	750.00

⁽²⁾ Wastewater Capital Facility Charges replaced connection fees in 2006

City of Walla Walla
Water and Wastewater Utility Customers by Category
Last Ten Fiscal Years

	<u>2012</u>		<u>2011</u>		<u>2010</u>		<u>2009</u>		<u>2008</u>		<u>2007</u>		<u>2006</u>		<u>2005</u>	
<u>Water</u>	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%
Residential	9,174	89.0%	9,127	89.0%	9,091	89.0%	9,047	89.0%	9,053	88.0%	8,928	89.0%	8,793	88.8%	8,346	87.1%
Multifamily	145	1.4%	145	1.4%	146	1.4%	149	1.5%	157	1.5%	148	1.5%	149	1.5%	158	1.6%
Commercial	878	8.5%	871	8.5%	866	8.5%	865	8.5%	985	9.6%	863	8.6%	865	8.7%	989	10.3%
Industrial	14	0.1%	14	0.1%	11	0.1%	11	0.1%	12	0.1%	13	0.1%	12	0.1%	14	0.1%
Public	98	1.0%	98	1.0%	96	0.9%	93	0.9%	80	0.8%	83	0.8%	84	0.8%	78	0.8%
Total	10,309	100.0%	10,255	100.0%	10,210	99.9%	10,165	100.0%	10,287	100.0%	10,035	100.0%	9,903	99.9%	9,585	99.9%

	<u>2012</u>		<u>2011</u>		<u>2010</u>		<u>2009</u>		<u>2008</u>		<u>2007</u>		<u>2006</u>		<u>2005</u>	
<u>Wastewater</u>	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%
Residential	8,469	90.4%	8,415	89.3%	8,381	89.4%	8,344	89.3%	8,050	89.3%	7,882	89.5%	7,783	89.5%	8,312	87.3%
Multifamily	145	1.5%	145	1.5%	145	1.5%	149	1.6%	147	1.6%	145	1.6%	143	1.6%	158	1.7%
Commercial	688	7.3%	773	8.2%	766	8.2%	767	8.2%	734	8.2%	712	8.1%	700	8.0%	960	10.1%
Industrial	7	0.1%	8	0.1%	6	0.1%	6	0.1%	5	0.1%	4	0.0%	4	0.0%	14	0.1%
Public	64	0.7%	83	0.9%	78	0.8%	74	0.8%	70	0.8%	64	0.7%	70	0.8%	74	0.8%
Total	9,373	100.0%	9,424	100.0%	9,376	100.0%	9,340	100.0%	9,006	100.0%	8,807	99.9%	8,700	99.9%	9,518	100.0%

	<u>2012</u>		<u>2011</u>		<u>2010</u>		<u>2009</u>		<u>2008</u>		<u>2007</u>		<u>2006</u>		<u>2005</u>		<u>2004*</u>		<u>2003*</u>	
<u>Water/Wastewater</u>	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%
Residential	9,174	89.0%	9,127	89.0%	9,091	89.0%	9,047	89.0%	9,053	88.0%	8,928	89.0%	8,793	88.8%	8,346	87.1%	8,455	86.1%	8,297	87.0%
Total Comm'l/Multifamily	1,023	9.9%	1,016	9.9%	1,012	9.9%	1,014	10.0%	1,142	11.1%	1,011	10.1%	1,014	10.2%	1,147	12.0%	1,218	12.4%	1,099	11.5%
Industrial	14	0.1%	14	0.1%	11	0.1%	11	0.1%	12	0.1%	13	0.1%	12	0.1%	14	0.1%	15	0.2%	14	0.1%
Public	98	1.0%	98	1.0%	96	0.9%	93	0.9%	80	0.8%	83	0.8%	84	0.8%	78	0.8%	136	1.4%	132	1.4%
Total	10,309	100.0%	10,255	100.0%	10,210	100.0%	10,165	100.0%	10,287	100.0%	10,035	100.0%	9,903	99.9%	9,585	100.0%	9,824	100.1%	9,542	100.0%

* Data available for 2003 and 2004 are Water/Wastewater combined.

City of Walla Walla
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
General governmental activities:										
General obligation bonds	\$15,098,397	\$15,952,984	\$16,813,648	\$16,897,376	\$5,874,532	\$6,433,853	\$6,967,303	\$7,635,213	\$7,671,550	\$3,651,550
Special assessment bonds	0	0	0	0	0	0	0	135,000	305,000	420,000
Business-type activities										
Water bonds	13,228,200	16,097,400	18,740,400	16,750,000	18,555,000	20,280,000	21,920,000	23,440,000	24,415,000	25,870,000
Wastewater bonds	3,496,800	4,672,600	5,749,600	1,900,000	2,255,000	2,885,000	3,540,000	4,165,000	4,740,000	5,300,000
Water/Wastewater bonds	16,725,000	20,770,000	24,490,000	18,650,000	20,810,000	23,165,000	25,460,000	27,605,000	29,155,000	31,170,000
Water loans	325,263	379,472	433,683	487,894	542,104	596,315	650,526	704,737	758,947	867,368
Wastewater loans	17,871,450	19,658,085	21,414,981	23,143,331	24,518,019	24,145,349	20,551,798	21,023,087	22,221,012	23,598,161
Water/Wastewater loans	18,196,713	20,037,557	21,848,664	23,631,225	25,060,123	24,741,664	21,202,324	21,727,824	22,979,959	24,465,529
Landfill bonds	4,352,692	4,670,243	4,976,400	2,362,558	2,548,714	2,728,476	2,903,238	2,973,000	0	0
Golf course bonds	259,876	277,730	293,600	309,470	325,341	339,228	353,114	367,000	0	0
Total primary government	\$54,632,678	\$61,708,514	\$68,422,312	\$61,850,629	\$54,618,710	\$57,408,221	\$56,885,979	\$60,443,037	\$60,111,509	\$59,707,079
Percentage of personal income ⁽¹⁾	2.60%	2.94%	3.42%	3.15%	2.68%	3.20%	3.53%	4.00%	4.03%	4.15%
Per capita	\$ 1,721	\$ 1,948	\$ 2,156	\$ 1,957	\$ 1,742	\$ 1,858	\$ 1,855	\$ 1,973	\$ 1,971	\$ 2,010

Note Details regarding the City's outstanding debt can be found in the notes to the financial statements

⁽¹⁾ See the schedule of Demographics and Economic Statistics for personal income and population data.

Used 2011 personal income, latest available data, to calculate "percentage of personal income" for 2011 and 2012

City of Walla Walla
Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
General obligation bonds	\$19,710,965	\$20,900,957	\$22,083,648	\$19,569,404	\$8,748,587	\$9,501,557	\$10,223,655	\$10,975,213	\$7,671,550	\$3,651,550
Less: Amounts available in debt service fund	176,494	115,906	71,227	52,032	378,254	30,067	13,395	0	305,448	318,374
Net total	\$19,534,471	\$20,785,051	\$22,012,421	\$19,517,372	\$8,370,333	\$9,471,490	\$10,210,260	\$10,975,213	\$7,366,102	\$3,333,176
Percentage of estimated actual taxable value of property	0.98%	1.04%	1.13%	0.95%	0.47%	0.62%	0.81%	0.88%	0.61%	0.29%
Per capita	\$ 615	\$ 656	\$ 694	\$ 617	\$ 267	\$ 307	\$ 333	\$ 358	\$ 242	\$ 112

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements
See the schedule of Demographics and Economic Statistics for personal income and population data.

City of Walla Walla
Direct and Overlapping Governmental Activities Debt
As of December 31, 2012

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable*</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes:			
City of Walla Walla direct debt			15,098,397
Port District	4,501,977	40.5%	1,823,301
School district	19,620,000	71.4%	14,008,680
Subtotal overlapping debt	<u>\$ 24,121,977</u>		<u>\$ 15,831,981</u>
Total direct and overlapping debt			<u><u>\$ 30,930,378</u></u>

Sources: Debt outstanding data provided by the Port of Walla Walla, Walla Walla County, and Walla Walla School District.

Note: Overlapping governments are those which coincide, at least in part, with the geographic boundaries of the city. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Walla Walla. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt of each overlapping government.

* The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of the county's assessed value that is within the government's boundaries and dividing it by the county's total taxable assessed value.

City of Walla Walla
Legal Debt Margin Information
Last Ten Fiscal Years

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Debt limit	\$150,429,291	\$149,920,743	\$149,228,859	\$145,609,896	\$153,402,999	\$134,592,549	\$114,244,962	\$94,856,688	\$92,690,109	\$86,807,506
Total net debt applicable to limit	20,022,302	22,336,140	16,059,413	15,755,381	5,372,488	3,158,745	118,952	283,117	348,117	3,925,951
Legal debt margin	\$130,406,989	\$127,584,603	\$133,169,446	\$129,854,515	\$148,030,511	\$131,433,804	\$114,126,010	\$94,573,571	\$92,341,992	\$82,881,555
Total net debt applicable to the limit as a percentage of debt margin	15.4%	17.5%	12.1%	12.1%	3.6%	2.4%	3.7%	0.3%	0.4%	4.7%

Legal debt margin calculation for fiscal year 2012:

Total assessed value January 2013 \$2,005,723,860

2.5% general purposes limit is allocated between:

Up to 1.5% debt without a vote (councilmanic)
Less: outstanding debt 50,143,097
Less: contracts payable 30,085,858
Less: excess of debt with a vote -13,421,561
Add: available assets 0
6,964,259

Equals: remaining debt capacity without a vote 23,628,556

1% general purpose debt with a vote
Less: outstanding debt 20,057,239
Less: contracts payable -13,565,000
Add: available assets 0

Equals remaining debt capacity with a vote 6,492,239

2.5% utility purpose limit, voted
Less: outstanding debt 50,143,097
Less: contracts payable 0
Add: available assets 0

Equals remaining debt capacity- utility purpose, voted 50,143,097

2.5% utility purpose limit, open space park and capital facilities, voted
Less: outstanding debt 50,143,097
Less: contracts payable 0
Add: available assets 0

Equals remaining debt capacity- park & facilities, voted 50,143,097

Total legal debt margin \$130,406,989

Note: Under statutory provisions for the State, cities may incur general obligation debt for "general purposes" in an amount not to exceed 2 1/2 percent of the assessed valuation of all taxable property in the city; 2 1/2 percent of assessed valuation for "open space and park facilities" uses; and 2 1/2 percent of assessed valuation for "utility" purposes. Within the "general purpose" limit, cities may incur general obligation indebtedness in an amount up to 1 1/2 percent of the assessed value without a vote of the people. Non-voted general obligation debt is payable from the City's regular tax levy, which may be levied for general purposes, and from other revenue sources that the City receives for general purposes. To incur general obligation indebtedness in excess of 1 1/2 percent of the assessed valuation of the City, the City must receive approval from the voters ("unlimited tax debt"). No combination of limited or unlimited tax debt may exceed 7 1/2 percent of the actual value of taxable property in the City.

City of Walla Walla
Pledged Revenue Coverage
Last Ten Fiscal Years

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
<u>Water Bonds</u>										
Charges for services and other	\$ 10,455,260	\$ 9,643,398	\$ 8,559,110	\$ 8,389,570	\$ 9,430,139	\$ 8,905,188	\$ 8,311,958	\$ 7,617,865	\$ 7,196,180	\$ 6,397,179
Less: Operating expenses	4,706,216	3,742,568	4,942,764	3,815,868	3,787,470	3,470,349	3,600,320	3,944,866	3,223,531	3,807,283
Net available revenue	\$ 5,749,044	\$ 5,900,830	\$ 3,616,346	\$ 4,573,702	\$ 5,642,669	\$ 5,434,839	\$ 4,711,638	\$ 3,672,999	\$ 3,972,649	\$ 2,589,896
Debt service:										
Principal	\$ 2,923,411	\$ 2,697,211	\$ 1,954,211	\$ 1,859,211	\$ 1,779,211	\$ 1,694,211	\$ 1,574,211	\$ 1,549,211	\$ 1,509,211	\$ 177,400
Interest	613,817	722,672	728,109	747,919	818,980	873,630	914,881	1,065,653	1,135,992	1,098,037
Payment	\$ 3,537,228	\$ 3,419,883	\$ 2,682,320	\$ 2,607,130	\$ 2,598,191	\$ 2,567,841	\$ 2,489,092	\$ 2,614,864	\$ 2,645,203	\$ 1,275,437
Coverage	1.63	1.73	1.35	1.75	2.17	2.12	1.89	1.40	1.50	2.03
<u>Wastewater Bonds</u>										
Charges for services and other	\$ 9,173,152	\$ 9,036,922	\$ 7,746,752	\$ 7,502,314	\$ 7,483,845	\$ 7,670,772	\$ 6,858,356	\$ 6,870,175	\$ 6,375,725	\$ 5,734,621
Less: Operating expenses	3,899,771	3,733,713	3,975,952	3,683,383	3,245,210	3,254,778	3,057,561	3,158,905	2,915,893	3,403,485
Net available revenue	\$ 5,273,381	\$ 5,303,209	\$ 3,770,800	\$ 3,818,931	\$ 4,238,635	\$ 4,415,994	\$ 3,800,795	\$ 3,711,270	\$ 3,459,832	\$ 2,331,136
Debt service:										
Principal	\$ 2,962,432	\$ 2,833,899	\$ 2,093,348	\$ 2,038,762	\$ 1,946,124	\$ 1,900,620	\$ 1,846,289	\$ 1,802,926	\$ 1,678,168	\$ 197,600
Interest	595,008	669,701	636,608	598,800	624,081	642,119	679,261	733,690	784,478	202,941
Payment	\$ 3,557,440	\$ 3,503,600	\$ 2,729,956	\$ 2,637,562	\$ 2,570,205	\$ 2,542,739	\$ 2,525,550	\$ 2,536,616	\$ 2,462,646	\$ 400,541
Coverage	1.48	1.51	1.38	1.45	1.65	1.74	1.50	1.46	1.40	5.82
<u>Water/Wastewater Bonds</u>										
Charges for services and other	\$ 19,628,412	\$ 18,680,320	\$ 16,305,862	\$ 15,891,884	\$ 16,913,984	\$ 16,575,960	\$ 15,170,314	\$ 14,488,040	\$ 13,571,905	\$ 12,131,800
Less: Operating expenses	8,605,987	7,476,281	8,918,716	7,499,251	7,032,680	6,725,127	6,657,881	7,103,771	6,139,424	7,210,768
Net available revenue	\$ 11,022,425	\$ 11,204,039	\$ 7,387,146	\$ 8,392,633	\$ 9,881,304	\$ 9,850,833	\$ 8,512,433	\$ 7,384,269	\$ 7,432,481	\$ 4,921,032
Debt service:										
Principal	\$ 5,885,843	\$ 5,531,110	\$ 4,047,559	\$ 3,897,973	\$ 3,725,335	\$ 3,594,831	\$ 3,420,500	\$ 3,352,137	\$ 3,187,379	\$ 375,000
Interest	1,208,825	1,392,373	1,364,717	1,346,719	1,443,061	1,515,749	1,594,142	1,799,343	1,920,470	1,300,978
Payment	\$ 7,094,668	\$ 6,923,483	\$ 5,412,276	\$ 5,244,692	\$ 5,168,396	\$ 5,110,580	\$ 5,014,642	\$ 5,151,480	\$ 5,107,849	\$ 1,675,978
Coverage	1.55	1.62	1.36	1.60	1.91	1.93	1.70	1.43	1.46	2.94
<u>Special Assessment Bonds</u>										
Special assessment collections	\$ 156,266	\$ 204,961	\$ 15,850	\$ 17,149	\$ 55,098	\$ 82,782	\$ 217,947	\$ 163,625	\$ 130,100	\$ 228,603
Debt service:										
Principal	-	-	-	-	-	-	135,000	170,000	105,000	185,000
Interest	24,113	2,020	-	-	-	-	8,345	19,775	26,475	37,591
Payment	\$ 24,113	\$ 2,020	\$ -	\$ -	\$ -	\$ -	\$ 143,345	\$ 189,775	\$ 131,475	\$ 222,591
Coverage	6.48	1.00	-	-	-	-	1.52	0.86	0.99	1.03

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements. Charges for service and other includes investment earnings
Operating expenses do not include interest, depreciation, or payments in lieu of taxes to the General Fund. Bond covenants require a 1.25 coverage ratio.

City of Walla Walla
Demographic and Economic Statistics
 Last Ten Years

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Source										
2 Population - City	31,740	31,670	31,731	31,610	31,350	30,900	30,660	30,630	30,500	29,710
2 Population - County	59,100	58,800	58,781	59,200	58,600	57,900	57,900	57,500	56,700	55,800
City as percent of County	54%	54%	54%	53%	53%	53%	53%	53%	54%	53%
1 County personal income (in 1,000s)	N/A	\$2,102,032	\$1,998,282	\$1,965,948	\$2,038,975	\$1,791,894	\$1,612,619	\$1,510,147	\$1,490,324	\$1,437,682
2 County per capita personal income	N/A	\$ 35,276	\$ 35,188	\$ 33,059	\$ 33,474	\$ 31,158	\$ 28,175	\$ 26,484	\$ 26,130	\$ 25,484
3 County median family income projection*	\$ 46,147	\$ 44,606	\$ 44,117	\$ 44,267	\$ 44,940	\$ 43,995	\$ 40,600	\$ 38,523	\$ 37,885	\$ 37,184
3 County median age	37.7	37.01	36.63	36.27	36.11	35.99	35.87	35.74	35.43	35.27
4 Percent with high school degree or higher	N/A	N/A	85.7%	N/A	N/A	N/A	N/A	N/A	N/A	N/A
5 School enrollment	6,211	6,308	6,159	6,052	6,004	6,016	6,068	5,993	6,274	6,215
6 County unemployment rate	7.2%	7.3%	7.4%	6.8%	4.8%	4.8%	5.4%	5.8%	6.2%	7.0%

Sources:

- 1 Bureau of Economic Analysis
- 2 Prepared by Port of Walla Walla
- 3 Port of Walla Walla 2003-2011 and Washington Office of Financial Management
- 4 U.S. Census Bureau - State and County QuickFacts
- 5 School District/Office of the Superintendent of Public Instruction
- 6 Port of Walla Walla 2003-2011 and WA Employment Security Department

N/A Information is not available at this time.

* The Revenue Forecast Council's September 2012 forecast of the state personal income is used in the projection of 2012 median household income.

City of Walla Walla
Top Ten Principal Employers
Total Headcount
Previous Year and Ten Years Prior*

	2011			2002		
	<u>Employees</u>	<u>Rank</u>	<u>% of Total Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>% of Total Employment</u>
<u>Employer within the City</u>						
WA State Penitentiary	1245	1	8.0%	882	2	14.5%
Providence St. Mary Medical Center	933	2	6.0%	825	4	13.6%
Walla Walla Community College	882	3	5.7%	1,306	1	21.5%
Walla Walla School District	777	4	5.0%	830	3	13.7%
Whitman College	496	5	3.2%	470	5	7.8%
Veterans Admin Medical Center	475	6	3.1%	360	8	5.9%
Key Technology, Inc.	467	7	3.0%	384	7	6.3%
Walla Walla General Hospital	415	8	2.7%	286	10	4.7%
Walla Walla County	357	9	2.3%	326	9	5.4%
US Army Corps of Engineers	346	10	2.2%	393	6	6.5%

Source: Port of Walla Walla

*2012 data are not available at this time.

City of Walla Walla
Full-time Equivalent City Government Employees by Function
 Last Ten Years

Function	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
<u>Governmental activities:</u>										
General government	34	35	35	37	38	35	34	32	30	33
Public safety										
Police										
Officers	39	40	42	44	44	42	38	38	37	37
Civilians	13	14	11	11	11	11	16	15	14	15
Fire										
Officers	29	29	30	32	32	32	32	32	36	33
Civilians	0	1	1	2	1	1	2	2	2	3
Emergency dispatch	17	18	17	17	17	17	17	17	17	17
Utilities and environment	22	19	18	29	23	22	22	20	22	20
Transportation	12	14	13	12	12	12	14	14	8	8
Economic environment ⁽¹⁾	-	-	10	12	14	12	12	10	5	8
Culture and recreation	19	20	24	31	32	34	34	33	33	35
Total governmental activities	185	190	201	227	224	218	221	213	204	209
<u>Business-type activities:</u>										
Ambulance	19	20	18	17	22	22	19	17	17	16
Golf course	0	0	0	0	0	0	0	0	0	0
Landfill	9	10	10	10	8	8	8	8	8	7
Sanitation	10	13	13	15	16	16	16	17	18	16
Stormwater	5	5	6	5	5	5	5	5	5	5
Wastewater	4	4	4	4	4	4	4	4	4	4
Water	16	17	16	18	16	16	17	19	19	18
Total business-type activities	63	69	67	69	71	71	68	70	71	66
Total primary government	248	259	268	296	295	289	289	283	275	275

Source: City of Walla Walla Human Resources department - rounded to the nearest tenth.

⁽¹⁾ Starting in 2011, the City of Walla Walla no longer has a Development Services department. The services were transferred to Walla Walla Joint Community Development Agency (WWJCDA), a separate legal entity.

City of Walla Walla
Operating Indicators by Function
Last Ten Fiscal Years

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
City Attorney										
Requests for legal service	163	174	164	181	167	167	195	201	185	186
Total Walla Walla District Court hearings	4,183	4,476	4,489	5,097	3,673	5,186	4,434	3,956	3,971	3,615
Walla Walla Joint Community Development										
Permits processed for building and development	867	895	911	1,139	1,386	1,069	1,349	1,815	1,981	1,983
Construction value of permits completed	\$21,444,092	\$41,121,658	\$11,188,593	\$31,086,945	\$51,174,853	\$10,646,457	\$48,627,163	\$85,965,177	\$38,370,956	\$37,458,554
Code enforcement complaints resolved	497	285	765	728	938	974	835	382	208	314
Library										
Questions answered	50,231	45,201	48,825	48,400	57,554	57,550	51,543	53,035	54,213	70,217
Items checked out	351,943	322,811	306,763	305,827	284,061	266,017	246,255	225,273	222,984	266,939
Children's storytime and program attendance	15,591	13,912	9,503	11,613	13,435	11,423	9,637	9,584	10,692	11,968
Adult program attendance	951	250	263	719	668	1016	1052	424	166	264
Parks and Recreation Department										
Meals served during the summer	28,718	29,227	19,494	21,447	20,296	18,761	19,900	20,012	24,909	15,264
Special event permits issued	41	29	37	44	43	48	41	36	52	43
Visits to City pools	5,897	5,058	4,762	4,505	3,240	4,119	2283*	10,332	16,888	17,459
Attendance for City recreation programs	106,500	105,000	100,000	100,000	98,000	95,000	89,500	85,760	62,843	70,345
Burial services at Mountain View Cemetery	163	174	181	205	204	222	236	225	235	219
Picnic area reservations	188	169	185	161	156	186	207	127	170	208
Fire Department										
Fire responses	88	92	100	138	136	139	85	137	105	213
Hazardous incident responses	73	74	64	82	177	120	129	120	142	91
Ambulance responses	5,289	5,040	5,182	5,208	5,428	5,169	5,183	4,889	5,061	4,958
Ambulance transported patients	3,285	3,325	3,485	3,509	3,575	3,435	3,480	3,319	3,375	3,256
Property fire loss	\$267,370	\$732,800	\$486,625	\$459,350	\$1,302,275	\$1,076,950	\$385,445	\$800,365	\$649,948	\$3,212,370
Safety Always Matters (SAM) program # students	3,929	3,660	3,720	3,811	3,747	3,878	3,579	3,460	3,614	3,000
Police Department										
Requests for service	19,701	18,537	19,879	19,320	20,232	20,480	20,445	20,745	21,227	22,760
Death investigations and attempted suicides	72	64	118	71	86	83	56	59	68	85
Other calls	10,219	9,273	10,552	9,990	10,388	10,529	10,387	9,977	11,015	11,287
Accidents	901	885	1,013	1,126	1,065	1,097	943	1,029	1,045	1,034
Animal calls	2,114	1,968	2,271	2,233	2,506	2,435	2,141	2,169	1,959	2,221
Volunteer hours	978	1,165	883	933	727	1,346	1,095	1,390	1,743	2,504
Walla Walla Emergency Services Communications										
Total calls	110,965	100,399	92,978	108,775	94,793	91,750	91,086	113,191	163,189	165,612
9-1-1 calls	24,286	23,126	20,420	44,644	46,608	46,854	44,782	21,537	27,014	27,172

City of Walla Walla
Operating Indicators by Function (continued)
 Last Ten Fiscal Years

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Water										
Linear feet of line replaced	5,765	7,476	6,741	4,352	4,860	2,703	2,075	1,298	2,326	806
Linear feet of lines added to system	260	5,301	4,345	2,721	12,718	14,117	16,968	15,005	10,836	5,241
Million gallons of water to customers	3,441	3,367	3,447	3,649	3,744	3,879	3,760	3,624	3,512	3,752
Meters installed	344	421	501	371	533	1,087	731	876	759	605
Leaks repaired to mains and services	123	162	232	182	116	68	80	81	105	85
Wastewater										
Linear feet of line replaced	4,004	6,149	7,121	1,860	1,778	2,142	530	440	594	615
Linear feet of lines added to system	1,102	1,958	1,820	2,793	9,923	18,591	12,994	15,371	12,240	7,012
Feet of sanitary sewer lines cleaned	618,294	552,358	729,624	369,595	709,526	680,312	663,354	770,722	649,398	771,935
Stormwater										
Feet of storm lines cleaned	18,401	20,599	28,332	17,490	48,069	35,410	57,708	55,658	38,323	44,372
Streets										
Linear feet of new streets added to subdivisions	252	336	523	642	10,853	12,195	9,615	12,800	3,637	5,119
Utility street cuts patched	383	350	239	118	185	137	123	168	157	143
Sanitation										
Pounds of curbside recycling collected	3,173,565	3,123,560	3,015,180	1,617,360	1,441,840	1,523,120	1,732,991	1,874,270	1,673,965	1,637,025
Million pounds of waste collected	41	41	42	42	42	47	48	50	49	44
Landfill										
Tons of solid waste collected	53,304	48,671	47,219	58,692	67,000	89,919	60,935	57,983	66,391	60,393
Pounds of hazardous waste collected	98,278	101,391	113,644	110,254	104,869	140,152	131,967	151,131	137,687	134,617
Landfill courtesy passes used	1,443	1,503	1,452	1,502	1,545	1,738	2,781	3,977	4,238	4,072
Pounds of metal recycled at the Landfill	83,340	98,660	108,000	194,120	144,360	271,280	261,220	301,140	288,840	279,300
Tons of leaves collected and recycled	1,452	1,098	1,514	2,400	2,203	1,541	1,293**	1,467**	2,750**	1,225**
Equipment Repair										
Fleet service repairs performed	3,745	3,644	3,843	3,804	3,970	4,074	7,392	8,071	8,522	3,852
Number of equipment repair parts used	10,729	9,495	11,383	14,799	15,711	15,973	14,864	13,846	13,005	14,185

*Memorial Pool closed after the 2005 season. Visits to City pools reflect visits to Jefferson pool only for 2006 and later years

**Indicated as cubic yards

***Starting in 2011, the City of Walla Walla no longer has a Development Services department. The services were transferred to Walla Walla Joint Community Development Agency (WWJCDA)

Sources:

City of Walla Walla Public Works, Police, Library, Fire, Parks and Recreation, and Support Services Departments.

Walla Walla Joint Community Development Agency (WWJCDA)

City of Walla Walla
Capital Asset Statistics by Function
Last Nine Fiscal Years*

	2012	2011	2010	2009	2008	2007	2006	2005	2004
General Government									
City Hall	1	1	1	1	1	1	1	1	1
Public Safety									
Police									
Police station**	1	1	1	1	1	1	1	1	1
Patrol vehicles	12	12	14	14	14	13	13	13	13
Vans/SWAT vehicles	2	2	2	2	3	2	2	2	2
Animal control vehicle	1	1	1	1	1	1	1	1	1
Parking control vehicle	1	1	1	1	1	1	1	1	1
Fire									
Stations	2	2	2	2	2	2	2	2	2
Pumpers	4	4	4	4	4	4	4	4	4
Other vehicles	9	9	9	12	11	10	9	7	6
Burn trailer	1	1	1	1	1	1	1	1	1
Utilities and Environment									
Service center building	1	1	1	1	1	1	1	1	1
Transportation									
Square yards of streets	1,554,303	1,553,351	1,552,827	1,542,350	1,539,372	1,530,281	1,477,033	N/A	N/A
Culture and Recreation									
Library building	1	1	1	1	1	1	1	1	1
Carnegie Art Center	1	1	1	1	1	1	1	1	1
Parks department									
Museum buildings	1	1	1	1	1	1	1	1	2
Complex w/concessions	1	1	1	1	1	1	1	1	1
Pool buildings	2	2	2	2	2	2	2	2	2
Other parks buildings	28	28	28	28	28	28	28	28	28
Parks	14	14	14	14	14	14	14	14	14
Sportsplex	1	1	1	1	1	1	1	1	1
Cemetery	1	1	1	1	1	1	1	1	1
Mausoleum	2	2	2	2	2	2	2	2	2
Ambulance									
Ambulances	6	6	6	5	5	5	5	5	5
Other vehicle	1	1	1	1	1	1	0	0	0
Defibrillators	9	9	9	9	9	8	8	8	2
IV pumps	6	6	6	6	6	6	N/A	N/A	N/A
Backup generator	1	1	1	1	1	1	1	0	0
Sanitation									
Refuse collection vehicles	12	12	12	15	13	13	12	12	12
Leaf loaders	2	2	2	2	2	2	2	2	2
Other vehicles	3	3	3	2	2	2	3	2	2
Water/Wastewater									
Miles of water mains	182	191	190	188	185	183	180	177	174
Miles of wastewater mains	144	147	147	143	139	137	133	131	128
Landfill⁽¹⁾									
Active landfills (available acres)	923	923	924	970	970	970	970	970	970
Closed landfills (acres)	117	117	117	97	97	97	97	97	97
Composting facility	1	1	1	1	1	1	0	0	0
Other Business-type Assets									
Golf course	1	1	1	1	1	1	1	1	1

Sources: City infrastructure project, fixed asset recordkeeping system, fleet division, GIS division

N/A - Information is not available.

* Data not collected prior to the preparation for GASB 34 implementation in 2003

**WWPD occupied the new Police Station in 2012. Previously, the Police Department was located in City Hall.

⁽¹⁾Refer to Note 20 "Closure and Postclosure", in the Notes to the Financial Statements for more details

"It is idle to dread what you cannot avoid." Publius Syrus

OTHER SUPPLEMENTAL INFORMATION

This part of the City of Walla Walla's comprehensive annual financial report presents other information as required by the State of Washington.

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City of Walla Walla
Schedule of Long-Term Debt
For the Year Ended December 31, 2012

Government Activities	ID. No.	Date of Original Issue	Date of Maturity	Beginning Balance		BARS Code for		Ending Balance 12/31/2012
				1/1/2012		Redemption		
1996 GO Bond Deferred Series B	251.11	05/29/96	12/01/15	\$355,957	-	\$99,992	58200.71	\$255,965
2004 GO Bond Fire Station	251.12	04/01/04	12/01/21	3,250,000	-	215,000	59195.71	3,035,000
2005 GO Bond Street Construction	251.11	05/01/05	12/01/24	227,027	-	14,595	59195.71	212,432
2009 GO Bond Police Station	251.12	12/01/09	12/01/29	10,905,000	-	375,000	59195.71	10,530,000
2010 GO Bond Fire Truck	251.11	06/22/10	12/01/24	800,000	-	50,000	59195.71	750,000
2010 GO Refunding Bond	251.11	06/22/10	12/01/15	415,000	-	100,000	59195.71	315,000
2010 GO Refunding Bond Water	251.19	06/22/10	12/01/15	3,242,400	-	739,200	58234.72	2,503,200
2010 GO Refunding Bond Wastewater	251.19	06/22/10	12/01/15	3,512,600	-	800,800	58235.72	2,711,800
2010 GO Refunding Bond Landfill	251.19	06/22/10	12/01/29	2,700,000	-	110,000	58237.72	2,590,000
Total General Obligation Bonds				25,407,984	-	2,504,587		22,903,397
Compensated Absences				1,714,242	1,425,761	1,317,238		1,822,765
Workers Compensation Claims				184,815	69,303	94,505		159,613
Net Pension Obligation				37,503	297,821	313,141		22,183
Net OPEB Obligation				1,764,975	1,489,894	1,176,266		2,078,603
Total Other Liabilities				3,701,535	3,282,779	2,901,150		4,083,164
Total Governmental Activities				\$ 29,109,519	\$ 3,282,779	\$ 5,405,737		\$ 26,986,561

City of Walla Walla
Schedule of Long-Term Debt
For the Year Ended December 31, 2012

<u>Business Activities</u>	<u>ID. No.</u>	<u>Date of Original Issue</u>	<u>Date of Maturity</u>	<u>Beginning Balance 1/1/2012</u>	<u>Additions</u>	<u>Reductions</u>	<u>BARS Code Redemption</u>	<u>Ending Balance 12/31/2012</u>
<u>Revenue Bond Payments</u>								
Water Bond 2002	252.11	05/08/02	08/01/12	\$ 2,055,000	\$ -	\$ 2,055,000	58234.72	\$ -
Water Bond 2005	252.11	06/07/05	08/01/17	10,800,000	-	75,000	58234.72	10,725,000
Total Water				<u>12,855,000</u>	<u>-</u>	<u>2,130,000</u>		<u>10,725,000</u>
WW Bond 2002	252.11	05/08/02	08/01/12	235,000	-	235,000	58235.72	-
WW Bond 2005	252.11	06/07/05	08/01/17	925,000	-	140,000	58235.72	785,000
Total Wastewater				<u>1,160,000</u>	<u>-</u>	<u>375,000</u>		<u>785,000</u>
Landfill Bond 2005	252.11	05/10/05	12/01/19	1,970,243	-	207,551	58237.72	1,762,692
Golf Course Bond 2005	252.11	05/10/05	12/01/24	277,730	-	17,854	58276.72	259,876
Total Revenue Bonded Debt				<u>16,262,973</u>	<u>-</u>	<u>2,730,405</u>		<u>13,532,568</u>
<u>External Loan Repayments</u>								
Water								
97-78897-038	263.82	1998	10/01/18	379,474	-	54,211	58234.78	325,263
L9900019A	263.82	2000	12/30/20	7,435,221	-	747,577	58235.79	6,687,644
PW-99-791-038	263.82	1999	07/01/19	2,983,187	-	372,898	58235.79	2,610,289
PW-02-691-060	263.82	2002	07/01/22	3,059,917	-	278,174	58235.79	2,781,742
PW-06-962-PRE-103	263.82	2006	07/01/26	419,526	-	27,968	58235.79	391,558
PW-07-962-018	263.82	2007	07/01/27	5,760,231	-	360,014	58235.79	5,400,217
Total Wastewater				<u>19,658,082</u>	<u>-</u>	<u>1,786,632</u>		<u>17,871,450</u>
Total Revenue Loans				<u>20,037,555</u>	<u>-</u>	<u>1,840,843</u>		<u>18,196,713</u>
Total Revenue Debt				<u>36,300,528</u>	<u>-</u>	<u>4,571,248</u>		<u>31,729,281</u>
Landfill Closure	263.22			1,491,190	1,929,514			3,420,704
Pollution Remediation	263.97			1,923,487	1,007,663	592,584		2,338,566
Compensated Absences	259.12			539,114	415,278	464,136		490,256
Total Other Liabilities				<u>3,953,791</u>	<u>3,352,455</u>	<u>1,056,720</u>		<u>6,249,526</u>
Total Business Activities				<u>\$ 40,254,319</u>	<u>\$ 3,352,455</u>	<u>\$ 5,627,968</u>		<u>\$ 37,978,806</u>

Schedule 10

City of Walla Walla
Schedule of Limitation of Indebtedness
As of December 31, 2012

Total Taxable Property Value		\$2,005,723,860	
			Remaining Debt Capacity
1	2.5% general purposes limit is allocated between:	50,143,097	
2	<i>Up to 1.5% debt without a vote (councilmanic)</i>	30,085,858	
3	Less: outstanding debt	(13,421,561)	
4	Less: contracts payable	-	
5	Less: excess of debt with a vote	-	
6	Add: available assets	6,964,259	
7	Equals remaining debt capacity without a vote		<u>\$23,628,556</u>
8	<i>1% general purpose debt with a vote</i>	20,057,239	
9	Less: outstanding debt	(13,565,000)	
10	Less: contracts payable	-	
11	Add: available assets	-	
12	Equals remaining debt capacity with a vote		<u>\$6,492,239</u>
13	2.5% utility purpose limit, voted	50,143,097	
14	Less: outstanding debt	-	
15	Less: contracts payable	-	
16	Add: available assets	-	
17	Equals remaining debt capacity- utility purpose, voted		<u>\$50,143,097</u>
18	2.5% utility purpose limit, open space park and capital facilities, voted	50,143,097	
19	Less: outstanding debt	-	
20	Less: contracts payable	-	
21	Add: available assets	-	
22	Equals remaining debt capacity- park & facilities, voted		<u>\$50,143,097</u>

**City of Walla Walla
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2012**

Federal or Pass-Through Agency Name	Federal Program Title	CFDA #	Other ID Number	Expenditures			Notes
				Pass-Through Awards	Direct Awards	Current Year Expenditures	
<u>US Department of Agriculture</u>							
Passed through Washington Office of Supt. of Public Instruction	Summer Food Service Program for Children	10.559	N/A	\$94,140	\$ -	\$94,140	1, 2
Total US Department of Agriculture						<u>94,140</u>	
<u>US Department of Housing and Urban Development</u>							
Passed through Washington State Dept. of Commerce	Community Development Block Grants - Edith/Carrie/9th Ave Project	14.228	11-64100-023	933,330	0	933,330	1, 2
Total US Department of Housing and Urban Development						<u>933,330</u>	
<u>US Department of Justice</u>							
Passed through Washington State Dept. of Commerce	Victims of Crime Act Grant	16.575	S12-31119-042	37,114	0	37,114	1
Passed through Washington State Dept. of Commerce	Victims of Crime Act Grant	16.575	S13-31119-042	36,915	0	36,915	1
Passed through Washington State Dept. of Commerce	Violence Against Women Formula Grants	16.588	F11-31103-067	19,150	0	19,150	1, 2
Office of Justice Programs	Bulletproof Vest Partnership	16.607	N/A	0	1,222	1,222	1, 2
Office of Justice Programs	ARRA - Public Safety Partnership and Community Policing Grant	16.710	2009-RK-WX-0899	0	61,330	61,330	1, 4
Office of Justice Programs	Edward Byrne Memorial Justice Assistance Grant	16.738	2011-DJ-BX-2662	0	14,537	14,537	1, 3
Total US Department of Justice						<u>170,267</u>	
<u>US Department of Transportation</u>							
Passed through Washington Dept. of Transportation	Highway Planning and Construction - Alder/Rose St. Pedestrian Crossings HSIP	20.205	HSIP-000S(222)/LA-6935	4,034	0	4,034	1, 2
Passed through Washington Dept. of Transportation	Highway Planning and Construction - Rose St. 2nd to Palouse Street STP	20.205	STPUS-7190(010)/LA-7124	12,983	0	12,983	1, 2
Passed through Washington Dept. of Transportation	Highway Planning and Construction - Orchard St. Sidewalk Improvements	20.205	STPE-7176(002)/LA-7740	28,956		28,956	1, 2
Passed through Washington Dept. of Transportation	Highway Planning and Construction - Myra Rd. SR-125 to N of Dalles Military	20.205	STPUS-7161(001)/LA-7704	158,659		158,659	1, 2
Passed through Washington Dept. of Transportation	Highway Planning and Construction - 13th Ave. at Rose St. Traffic Signal	20.205	STPUS-7190(011)/LA-7411	9,810		9,810	1, 2
Passed through Washington Dept. of Transportation	Highway Planning and Construction - Alder St. at Colville St. and 1st Ave. Intersection Improvements	20.205	STPUS-HSIP-000S (320)/LA-7827	285		285	1
Subtotal US Department of Transportation CFDA 20.205						<u>214,726</u>	
Passed through Washington Traffic Safety Commission	State and Community Highway Safety - Law Enforcement Liaison	20.600	N/A	2,353	0	2,353	1, 2
Passed through Washington Traffic Safety Commission	Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	N/A	2,796	0	2,796	1, 2
Passed through Washington Traffic Safety Commission	Occupant Protection Incentive Grants	20.602	N/A	1,196	0	1,196	1, 2
Total US Department of Transportation						<u>221,072</u>	
<u>US Department of Homeland Security</u>							
Passed through Washington State Military Dept.	Interoperable Emergency Communications Grant	97.055	E12-197	19,348	0	19,348	1, 2
Passed through Walla Walla County	Homeland Security Grant	97.067	E11-129	11,000	0	11,000	1, 2
Passed through Washington State Military Dept.	Public Assistance - Federal Emergency Management Agency	97.036	FEMA 1825-DR-WA	68,624	0	68,624	1, 2
Total US Department of Homeland Security						<u>98,972</u>	
TOTAL EXPENDITURES OF FEDERAL AWARDS				\$1,440,692	\$77,089	\$1,517,781	

The accompanying notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

City of Walla Walla
Schedule Of Expenditures Of Federal Awards
For the Year Ended December 31, 2012

NOTE 1 - BASIS OF ACCOUNTING

This schedule is prepared on the same basis of accounting as the City's financial statements. The City of Walla Walla uses the accrual basis of accounting for all funds except the governmental fund types, expendable trust and agency funds which use the modified accrual basis of accounting.

NOTE 2 - PROGRAM COSTS

The amounts shown as current year expenditures represent only the state and/or federal portion of the program costs. Entire program costs including the City of Walla Walla's portions, may be more than shown.

NOTE 3 - AMOUNTS AWARDED TO SUBRECIPIENTS

Included in the total amount expended for this program is \$5,073 which was passed through to a subrecipient who administered its own project.

NOTE 4 - AMERICAN RECOVERY AND REINVESTMENT ACT (ARRA) OF 2009

Expenditures for this program were funded by ARRA.

City of Walla Walla
Schedule of State and Local Assistance
For the Year Ended December 31, 2012

<u>State Agency Name</u>	<u>Program Title</u>	<u>Identification Number</u>	<u>Current Year Expenditures</u>
<u>Military Department</u>			
Passed Through Walla Walla County	Washington State Enhanced 911 Program	E12-036	112,136
Emergency Management	Disaster Assistance	FEMA 1825-DR-WA	11,437
		<i>Total Military Department</i>	<u>123,573</u>
<u>Office of Superintendent of Public Instruction</u>			
	Summer Food Service Program for Children	N/A	2,169
	Simplified Summer Food Program	673131	21,250
		<i>Total Office of Superintendent of Public Instruction</i>	<u>23,419</u>
<u>Department of Ecology</u>			
	Coordinated Prevention Grant - Solid Waste Enforcement	G1200308	61,784
	Coordinated Prevention Grant	G1200294	149,934
	Remedial Action Grant	G1200173	497,898
	Remedial Action Integrated Planning Grant	G1200172	127,751
	13th Avenue Stormwater LID Project	G1200548	5,194
		<i>Total Department of Ecology</i>	<u>842,560</u>
<u>Department of Health</u>			
	EMS Trauma	N/A	1,534
		<i>Total Department of Health</i>	<u>1,534</u>
<u>Transportation Improvement Board</u>			
	Urban Arterial Program - Myra Road, SR 125 to Dalles Military	8-4-176(021)-1	282,596
	Urban Arterial Program - 13th Ave, Abadie St to Cherry St	8-4-176(022)-1	22,003
	Sidewalk Program - Rose Street, Woodland Ave to 11th St	P-E-176(P02)-1	144,594
		<i>Total Transportation Improvement Board</i>	<u>449,192</u>
<u>Traffic Safety Commission</u>			
	School Zone Flashing Beacon/Lighting Project - Berney Elementary School	N/A	15,000
	School Zone Radar	N/A	2,700
		<i>Total Traffic Safety Commission</i>	<u>17,700</u>
		TOTAL STATE ASSISTANCE	<u>\$1,457,979</u>

The City did not receive local assistance for the fiscal year ending December 31, 2012.

Schedule 17

City of Walla Walla
Limitation on Public Works Projects Performed by Public Employees
For the Year Ended December 31, 2012

1. Total current public work construction budget as amended (annual or biennial as applicable)	\$ 13,738,982
2. Allowable portion of total public works (10 percent of line 1)	1,373,898
3. Less: Amount (if any) in excess of permitted amount from prior budget period	-
4. Total allowable public works (line 2 minus line 3)	<u>1,373,898</u>
5. Total public works projects performed by public employees during the current year (include work performed by a county)	386,339
6. If this is the second year of a biennial budget, total public works projects performed by public employees during the first year of biennium	-
7. Restricted under (over) allowable amount (line 4 minus line 5 minus line 6)	<u><u>\$ 987,559</u></u>

NOTE: If the restricted amount is over allowable, this amount must be carried forward to next budget period report.

MCAG NO. _____

City of Walla Walla
(CITY/COUNTY/DISTRICT)

Schedule 19

LABOR RELATIONS CONSULTANT(S)
For the Year Ended December 31, 2012

Has your government engaged labor relations consultants? ☒ Yes ☐ No

If yes, please provide the following information for each consultant:

Name of Firm <u>Summit Law Group</u>
Name of Consultant <u>Bruce Schroeder, Mike Bilasina, Beth Kennar</u>
Business Address <u>315 Fifth Ave Suite 1000 Seattle, WA 98104</u>
Amount Paid to Consultant During Fiscal Year
Terms and Conditions, as Applicable, Including: Rates (E.g., hourly, etc.) <u>290.00 billable hrs.</u> Maximum Compensation Allowed _____ Duration of Services <u>Jan. 1, 2012 - Dec. 31, 2012</u> Services Provided <u>legal consultation and services related to labor relations</u>

Certified Correct this <u>11th</u> day of <u>January</u> , 20 <u>13</u> to the best of my knowledge and belief:
Signature <u>J Seekamp</u>
Name <u>Jennifer Seekamp</u>
Title <u>HR Manager.</u>